FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date   14 March 2016

Report of: Head of Finance and Audit

Subject: QUARTERLY INTERNAL AUDIT REPORT

SUMMARY

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

RECOMMENDATION

That the Committee notes the progress and findings arising from the 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 5 audits remaining from the 2014/15 Internal Audit Plan in the last report is detailed in Appendix One.   A draft report has been received by the in-house audit team for all of these audits. They are now awaiting review and update for any additional testing which has been carried out. Two reports have yet to be discussed with the service sponsor.

DELIVERY OF THE 2015/16 AUDIT PLAN

3.   There have been 3 changes to the original plan set for 2015/16:

      (a)   The Right to Buy audit has been changed from an Opinion Audit to a wider piece of work concentrating on the Council's vetting procedures.

      (b)   The Vehicle Parts Procurement Follow up Work has been cancelled as the Council is now reviewing the processes that it is uses for the procurement and processing of invoices for lower value spend. This follow up work will be carried out in the context of this review, once completed.

      The time was used instead to carry out a piece of wider work instead looking into the causes of a problem a debtor had experienced in paying monies owed to the Council.

4.   Work has now started on 85% of the audits in the 2015/16 plan as detailed in Appendix Two and five audits have been completed.

FINDINGS FROM COMPLETED AUDITS

5.   Since the previous Audit and Governance Committee, four reports have been issued in final version as listed below with the opinions given and number of recommendations made:

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
2015/16 Plan				
Right To Buy	Not applicable	-	1	-
Problem with Debt Repayment	Not applicable	-	2	-
Individual Electoral Registration	Strong	-	-	-
Software Control	Limited	-	5	1

RISK ASSESSMENT

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

Appendices

Appendix One - Update on Outstanding Audits from the 2014/15 Plan

Appendix Two - Progress on Delivering the 2015/16 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 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
Benefits	Fundamental (V)	30	Stage 8							
Income Collection & Banking	Fundamental	15	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
Information Governance Opinion	Computer	6	Stage 5							
Data Protection	Corporate, Specialist, Governance	5	Stage 5							

* 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 10**	Reasonable	1	-	-	-	-	-
2	**Individual Electoral Registration (new)**	**Service and Systems - Other**	**7**	**Stage 10**	Strong	-	-	-	-	-	-
3	Local Tax Collection	Fundamental System	15	Stage 7							
4	Capital Expenditure and Accounting	Fundamental System	10	Stage 6							
5	Fixed Assets	Fundamental System	10	Stage 5							
6	Parking Enforcement	Service and Systems – HR (V)	15	Stage 6							
7	Contract Deeds Management	Thematic Review	15	Not started							
8	Land Charges	Service and Systems – HR	12	Stage 5							
9	Payroll	Fundamental System	15	Stage 6							
10	Accounts Payable	Fundamental System	10	Stage 5							
11	**Software Control (new)**	**Computer**	**10**	**Stage 10**	Limited	-	5	1	1	-	1
12	Recruitment and Selection	Corporate, Specialist, Governance (V)	15	Stage 4							
13	**Right to Buy (new)**	**Wider Work (change)**	**10**	**Stage 10**	Not applicable	-	1	-	-	-	-
14	Effectiveness of Ethics	Thematic Review	15	Stage 4							

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										
	Vehicle Repairs Procurement	Wider Work – Follow Up	-8	Cancelled							
15	Recycling	Service and Systems – HR	10	Stage 2							
16	Household Waste Collection	Service and Systems – HR	10	Stage 2							
17	IT Disaster Recovery	Computer	15	Stage 1							
18	Data Protection	Wider Work – Follow Up	7	Not started							
19	Protection of Trees	Service and Systems - Other	8	Stage 4							
20	**Problem with Debt Repayment (new)**	**Wider Work**	**8**	**Stage 10**	Not applicable	-	2	2	-	-	-
	Contingency		13								
	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	Right To Buy	**Overview of Subject:** The Right to Buy scheme allows tenants to buy their council homes if they have lived in the property as a tenant for between 2 to 5 years depending on their type of tenancy. The tenants obtain a discount on the sale price of the house depending on how long they have lived there. From 2014, the maximum discount for a house increased from 60% to 70% of its value. Consequently fraud within the Right to Buy scheme has been reported as being on the increase and Councils are being encouraged to carry out additional vetting of applications. This work, carried out jointly with the investigations team, looked at what controls the Council had in place and what additional vetting could be introduced to reduce the risk of a fraudulent sale. Tests were also carried out to confirm tenants who had purchased their properties in the last 5 years still owned their properties, or, if they didn't, they had paid back the required portion of the discount.
Year of Audit	2015/16	
Type of Audit	Wider Work	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Weaknesses were found in the Council's vetting procedures. An enhanced vetting procedure is therefore being piloted which includes: • Additional initial Application checks by the Investigations Officer • Enhanced interviews where the initial assessment identified some concerns • Unannounced visits where there are residency or welfare concerns • Post –sale checks

Audit Title	**Problem with Debt Repayment**	**Overview of Subject:** A problem was identified where a customer had come into the Civic offices to pay off monies he owed, but we were not able to identify the amount that he needed to pay.
Year of Audit	**2015/16**	
Type of Audit	Wider Work	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Weaknesses were found in the systems of the originating service to ensure that similar debts were getting recorded in the Council's debt management system. Discussions have been held with that team to strengthen their systems and awareness.
Important	Weaknesses were found with the use of the cash receipting system where debtor details are not known. The Customer Services team have now been briefed on how to take payments in these circumstances.

Audit Title	Individual Electoral Registration
Year of Audit	**2015/16**
Type of Work	Opinion audit
Assurance Opinion Given	**Strong**
Direction of Travel	⇔

Overview of Subject: The Electoral Registration Officer has a duty to take all steps that are necessary for the purposes of maintaining an Electoral Register of potential voters in the borough. From June 2014 there was change in the process in which the register was compiled. Instead of relying on the household completing a form for each property, a return is now needed for each resident of the property.

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (💣✳)	Important (▲)	Advisory (🔔)	Implemented	Cancelled	Non Implemented
Maintenance of Register on Express (Full and Open)			-	-	-	-	-	-
Registration Process (On-line and Manual)			-	-	-	-	-	-
Management of the Annual Canvass			-	-	-	-	-	-
Publication & Sale of Registers			-	-	-	-	-	-

Audit Title	Software Control
Year of Audit	2015/16
Type of work	Opinion Audit (Computer)
Assurance Opinion Given	Limited
Direction of Travel	⇔

Overview of Subject: Organisations are required to have procedures in place to prevent or detect the use of unlicensed software or the unauthorised downloading, sharing, selling, or the installing of multiple copies of licensed software.

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (💣)	Important (▲)	Advisory (📂)	Implemented	Cancelled	Non Implemented
Software Policies			-	3	-	-	-	-
Software Inventory			-	1	-	1	-	1 (superseded by new rec)
Security of Software			-	-	-	-	-	-
Software Copyright			-	1	-	-	-	-
Software Licensing Procurement			-	-	1	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important (New and previous)	**Software Inventory** – The Council makes use of a software manager tool. This tool acts as the software inventory and stores and reports on information relating to software installed on PCs. However, as also observed in previous audits, this central register of software is not sufficiently complete to be able to be used to monitor and reconcile the software installations on Council devices against the licenses held. A central register will now be developed to record who is assigned to carry out licensing checks on each type of software. The Technical staff will be instructed to check with that person before the installation takes place. Work has already been carried out to develop a central storage location for installation guides and copies of licensing agreements but it is not yet complete.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	**Installation Request Process** –The processes that Technical staff should be following for the installation or removal of software, following requests from users, had not been specified. This would include confirming the licensing arrangements and what the settings need to be on the APPLocker software to prevent unauthorised installations (e.g. individual, group or whole organisation permissions). A checklist is now being developed.
Important	**Software Audits** – Software sweeps are not currently carried out to identify any unauthorised or unlicensed software of devices in the Council buildings or at employees' homes. However, key risks have been addressed by other means and there is just a residual risk for minor software installed more than 2 years ago. A check on 5 PCs during the audit did not identify any concerns. However, it has been agreed that this will be widened to a larger sample to confirm whether a full sweep of PCs would be valuable.
Important (2)	**Software Policy and Awareness** – There is an ICT security policy dating back to 2007. However, this needs to be reviewed and updated to include: responsibilities and accountability for the management of software copyright, acquisition, software register, licences and software auditing. At the time of the audit it was not clear who was responsible for maintaining the policy and keeping employees informed of any issues around its implementation. Responsibility has now been established and an updated Policy is being produced.

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 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	The work completed by the Auditor is being reviewed by their manager.
Stage 6	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
Stage 7	Any additional testing identified has been completed.
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.