Fareham Borough Council

Audit & Governance Committee

Quarterly Audit Progress Report

February 2013

INTRODUCTION AND BACKGROUND

1.1   This progress report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. The report outlines the work performed by Deloitte & Touche Public Sector Internal Audit Ltd to date for the 2011/12 and 2012/13 Internal Audit Plan.

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 and Governance Committee, including a brief background, scope and recommendation titles. 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.

2.2   Since the last Audit & Governance Committee a total of ten reports have been finalised of which six were previously reported at draft report stage and four of which were previously reported as work in progress. These are listed in Table One and full details of the findings are given in Annex Two.

2.3   Table two lists the reports currently at draft stage and awaiting finalisation. Full details of the reports will be included in our next submission to the Audit & Governance Committee meeting upon finalisation.

2.4   All audits completed were full in-depth audits of operational systems within the Authority. Members and Management should note that the assurance level is an illustration of the level of control operational at the time of the audit. The auditor will agree with Management a number of recommendations which, when implemented, will result in a more secure system. Each recommendation is given an implementation date, and these will be monitored on a regular basis by the Internal Audit Team.

PROGRESS AGAINST THE 2011/2012 INTERNAL AUDIT PLAN

3.1   Since the last meeting of the Audit & Governance Committee, the remaining 2011/12 Internal Audit report of Use of Supplier Base and Tendering has been finalised. Details of this are included within Annex Two. The 2011/12 plan is now complete and we can confirm that audits have been completed in accordance with the timings agreed with the Head of Audit and Assurance.

PROGRESS AGAINST THE 2012/2013 INTERNAL AUDIT PLAN

4.1   The current status of the agreed 2012/13 Internal Audit Plan is detailed in Annex One along with the number of days delivered.

4.2   As at the 31st January 2013, progress against the 2012/13 plan is as follows:

	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	4 (13%)	13 (42%)
Number of reports issued at draft	7 (23%)	5 (16%)
Number of audits commenced or finalised	N/A	25 (81%)
Number of planned audit days delivered	114/230 (50%)	173/230 (75.2%)

4.3   At the time of this report, 75.2% of the 2012/13 Internal Audit Plan has been completed (See Annex One – Days Delivered). Audits have been completed in accordance with the timings agreed with the Head of Audit and Assurance, and as approved by the Audit and Governance Committee.

AUDIT ACTIVITY

Table One – Finalised Audits since the last Audit and Governance Committee

Audit	Assurance Rating
2011/12 Internal Audit Plan	
Use of Supplier Base and Tendering	Strong
2012/13 Internal Audit Plan	
Commercial Estates	Strong
Responsive Repairs	Reasonable
Invoicing & Collection of Income Receivable	Reasonable
Disabled Facilities Grants	Reasonable
Community Development – Safeguarding	Reasonable
Network Security and Infrastructure	Reasonable
Telecommunications	Reasonable
Geographical Information Systems (GIS)	Reasonable
Follow-up of IT Recommendations	N/A

Table Two - Draft Reports Issued to Management since the last Audit and Governance Committee

2012/13 Internal Audit Plan	
Pest Control	November 2012
Cash Collection and Banking	February 2013
Treasury Management	February 2013

Significant control weaknesses

Based on the work we have undertaken, there are no significant internal control issues (Essential Recommendations) to be brought to the attention of the Audit and Governance Committee.

Changes to the Plan

There are five reported changes to the 2012/13 Internal Audit Plan. These are as follows:

- the Miscellaneous Democratic Service Audit has been moved to quarter one of the 2013/14 financial year at the managers request to cover the new electronic information system being implemented to manage committee meetings;
- the Garden Waste audit has been removed from the plan at the managers request with the six days split between two days added to the Main Accounting audit to allow coverage of elements of Budgetary Control and four days added to follow up previously raised recommendations to help hit the target of 100 recommendations followed up a year;.
- adding the remaining two Contingency Days to follow up work to include follow-up of Community Action Team and Economic Development Recommendations.

SUMMARY OF FINALISED REPORTS

To enable Management and Members to focus on the areas of concern, we have provided a brief summary of the finalised reports since the last Committee, detailed within Annex Two.

2012/13 Internal Audit Plan as at 14th February 2013

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	Recommendations		
						Essential	Important	Advisory
Quarter 1								
1	Commercial Estates	7	7	Final Report	Strong	-	1	-
2	Off Street Parking	6	4.5	Work in progress				
3	Planning Enforcement	7	7	Final Report	Reasonable	-	2	3
4	Pest Control	5	4.5	Draft Report Issued	TBC			
5	Data Protection	7	6.5	Draft Report Issued	TBC			
Quarter 2								
6	Responsive Repairs Contract	7	7	Final Report	Reasonable	-	3	1
7	Ordering and Payment of Invoices	7	6.5	Draft Report Issued	TBC			
8	Electronic Expenses	3	3	Final Report	Strong	-	1	-
9	Procurement Cards	4	4	Final Report	Reasonable	-	2	2
10	Postal Services	6	6	Final Report	Strong	-	-	5
11	Community Development (Safeguarding)	7	7	Final Report	Reasonable	-	4	-
12	Disabled Facilities Grant	6	6	Final Report	Reasonable	-	2	2
Quarter 3								
13	Invoicing and Collection of Income Receivable	9	9	Final Report	Reasonable	-	4	-
14	Payroll	7	6	Work in Progress				
15	Capital Project Management	8	7	Work in Progress				
16	Revenues	10	8	Work in Progress				
17	Cash Collection and Banking	7	6.5	Draft Report Issued	TBC			
18	Housing Benefits	7	5.5	Work in Progress				
19	Housing Rents	6	3.5	Work in Progress				
Quarter 4								
-	Risk Management	-	6 days deferred to 2013/14 Internal Audit Plan					

Internal Audit Progress Report- Quarter Three 2012/13

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	Recommendations		
						Essential	Important	Advisory
20	Ferneham Hall – Follow-up	3		To be commenced Q4				
21	Main Accounting and Budgetary Control	12		To be commenced Q4				
22	Treasury Management	6	5.5	Draft Report Issued	*TBC*			
23	CSC Processes	5		To be commenced Q4				
24	Misc Democratic	5		Note 1				
25	Legal Services Contract	8	6	Work in Progress				
26	Corporate Health and Safety	8		To be commenced Q4				
27	Recommendation Follow Up	6		To be commenced Q4				
Computer Audit								
28	Network Security and Infrastructure	10	10	Final Report	Reasonable	-	10	4
29	Telecommunications	10	10	Final Report	Reasonable	-	2	7
-	Remote Access	-	10 days deferred to 2013/14 Internal Audit Plan					
30	Geographical Information Systems (GIS)	7	7	Final Report	Reasonable	-	7	1
31	Follow-up of IT Recommendations	3	3	Final Report	N/A	-	-	-
Other								
	Audit Needs Assessment	4	4					
	Audit Committee	5	3					
	Audit Management	12	10					
	TOTAL	230	173 (75.2%)			0 (0%)	38 (60%)	25 (40%)

Note 1: The audit will be undertaken in Q1 of the 2013/14 financial year.

Summary of Findings from Completed Audits

2011/12 Use of Supplier Base and Tendering

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Use of Supplier Base;
- Letting of Contracts;
- Selection of Contractors;
- Tender Receipt, Opening, Evaluation, Award and Reporting ;and
- Storage of Contracts.

Audit Opinion and Direction of Travel

Strong
☺

Direction of Travel:	➡ 2005/06

Other Assurances	
Income and Expenditure Errors	None identified
Policy Compliance	Where applicable, for both tenders or one relevant tender, we confirmed for the Invitation to Tender (ITT) that: a) A description of the works supplies or services being procured was included b) A specification indicating whether variants are permissible was included c) The Council's terms and conditions of contract were included d) The evaluation criteria including any weightings in order of importance were included e) The pricing mechanism and instructions for completion were included f) Where there is a potential transfer of employees, the Council's view on whether TUPE will apply were included g) The form and content of method statements to be provided were included. We confirmed for two tenders that: a) The requirements for tender submission were noted in the ITT; and a) Any late tenders received after the stipulated closing date and time for receipt of them were not accepted. If they had an estimated value in excess of £50,000 they were opened in the presence of an Executive member or chairman of the appropriate Committee.If they had an estimated value in excess of £50,000 they were awarded by the Executive or an Individual Executive Member, or by the appropriate Committee.

Counter Fraud	For two contracts, one above EU threshold, one below threshold, there was no evidence of bribery, in so much as the following were noted: a) The South East Business Portal was used to place two advertisements giving open access to the tender opportunity with a Pre-Qualification Questionnaire attached to select potential suppliers to tender via a restricted tender process.. More than one party was involved in each of the two tender evaluations.c)The winning party scored the highest in each of the two tender evaluations
Previous Weaknesses addressed	4/4 (100%)

A 'Strong' level of assurance was issued following the completion of this audit, with three 'Advisory' only recommendations raised to enhance control. The level of assurance given during the 2005/06 audit was 'Satisfactory' and hence the current assurance opinion has improved. Four previous recommendations were followed up and found to have been implemented.

One of the advisory recommendations has been raised in relation to the timely removal of access rights for amending supplier details when an employee no longer requires the access. This issue should be considered by management in addition to the findings within the 2012/13 Ordering and Payment of Invoices audit which is currently at draft report stage.

Commercial Estates

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Lease management, including lettings, lease agreements and renewals, rent reviews and negotiations;
- Estate management and maintenance, including void management;
- Debtor processes, including debt management and monitoring;
- Partnership working ;and
- Management reporting.

Audit Opinion and Direction of Travel

Strong
☺

Direction of Travel: ⇔ 2005/06

Other Assurances	
Income and Expenditure Errors	None identified

A 'Strong' level of assurance was issued following the completion of this audit, with one 'Important' recommendation raised to enhance control. The level of assurance given during the 2005/06 audit was 'Good' and hence in line with the current assurance opinion. No outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Quarterly reconciliations of live properties on estates records to invoices raised should be conducted to ensure that all rental invoices have been raised within the period.	It was noted that at present no reconciliation is performed to provide assurance that invoices for live properties are raised in a timely manner.	**Important**
Agreed Action	**Responsibility**	**Deadline**
Agree we will hold a discussion with finance to put this process in place to ensure that a quarterly reconciliation is undertaken.	Head of Estates	31st December 2012

Responsive Repairs

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Contracts;
- Variations to Contract;
- Works Instructions (Ordering including correct use of SoR/Non-SoR);
- Variation to Works Instructions;
- Quality control (including receipting of services provided)
- Complaints, Deficiencies in Provision, Rectification and Default;
- Payments (including reconciliations to the Purchase Ledger);
- Annual Checking of Insurances; and
- Contract Performance Monitoring, Management Reporting and Performance Management.

Audit Opinion and Direction of Travel

Reasonable
☺
Direction of Travel: No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Data Quality	Percentage of emergency repairs completed within 24 hours – No exceptions identified
Specific Risk Test	The Accounts team undertake weekly reconciliations between payments authorised in the Orchard responsive repairs systems to the contractor's invoice prior to releasing the automatic payment file in E-Financial. Payments are not processed unless they have been authorised by the Responsive Maintenance Manager.
Specific Risk Test	Quality assurance and challenge of work done before payment – No exceptions identified

A 'Reasonable' level of assurance was issued following the completion of this audit, with three 'Important' recommendations and one "Advisory" recommendation raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A Complaints Register should be used to record the number of complaints received by the service and those that have been passed onto the Service	Whilst complaints are discussed at progress meetings between Comserv and the Council no formal record of the number of complaints has been recorded. As such,	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Provider for explanation or resolution. The number of complaints in any one month should be monitored against the performance measure stated in the contract.	there is no detail of the date of complaint, the time taken to respond to it or who the responsibility to deal with the complaint was allocated to. There is also no record of whether the number of complaints exceeds the maximum 1% of dwellings in any month complaining.	

Agreed Action		Responsibility	Deadline
A complaints register will be put in place to record the number of complaints received by the service and those that have been passed onto the Service Provider for explanation or resolution.		Responsive Maintenance Manager	Completed and relevant staff instructed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Monitoring reports of Schedule of rates (SoR), Non-SoR and variations to work instructions should be produced and reviewed by management on a monthly basis. The relationships between SoR and Non-SoR items should be monitored for reasonableness to include period & cumulative values, average values, period & cumulative volumes, average volumes, Non-SoR items as a percentage of all works instructions raised and percentage of cumulative value raised. Any other useful metric should also be considered. The value and volume of variations should be monitored as a percentage of works instructions raised in a similar manner.	Three out of ten cases of non-SoR items tested had been incorrectly allocated as such. The overall volume and value of non-SoR work being instructed as a proportion of the total work is not identifiable to management due to a lack of information provision. The current reporting suite produced from Orchard is limited in providing management with visibility over the use of SoR items, non-SoR items and variations to works instructions.	**Important**

Agreed Action		Responsibility	Deadline

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
IT System Administrator to determine what reports are available within Orchard to achieve this.	Responsive Maintenance Manager IT System Administrator	31st December 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
All staff, including agency staff, who raise works instructions to be placed on the responsive repairs service provider should have appropriate financial limits set. The limits allocated to each staff member should be detailed in the Authorised Signatory Listing and be certified in accordance with Council delegation procedure.	It was noted that authorisation limits for agency staff are not detailed on the Council's authorised signatory listing.	**Important**
Agreed Action	**Responsibility**	**Deadline**
The authorised signatory listing will be updated to reflect current delegated authority for all staff, including agency.	Head of Building Services	Completed

Invoicing and Collection of Income Receivable

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Policies and procedures;
- Segregation of duties;
- Raising of invoices, credit notes and refunds;
- Amendments to standing data;
- Posting of cash receipts;
- Debt monitoring;
- Debt recovery, including suppression of accounts, tracing and bailiffs;
- Write off procedures; and
- Reconciliations, including suspense account.

Audit Opinion and Direction of Travel

Reasonable
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Direction of Travel:	⇔2011/12

Other Assurances	
Income and Expenditure Errors	None identified
Previous Weaknesses addressed	3/6 (50%) previous recommendations were found to have been implemented

A 'Reasonable' level of assurance was issued following the completion of this audit, with four 'Important' recommendations three of which were previously raised recommendations which were found not to have been fully implemented and one of which was a newly raised recommendation. Of the six recommendations raised within the 2011/12 audit three had been found to be implemented.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should update Financial Regulation (FR) 19.3.6 – Timing of Accounts to align with HMRC guidance that VAT invoices are raised within 30 days of the date of supply of goods or services. Furthermore, in accordance with HMRC	FR19.3.6 states that local authority accounts must be issued within two months of the supply of the goods or service, unless specific dispensation is granted by HM Revenue and Customs. HMRC guidance, however, states 30 days of the date of supply of goods or Services. Audit testing of compliance with FR19.3.6 identified not all	**Important**

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guidance, a VAT invoice must show:

- the time of supply (also known as tax point) if this is different from the invoice date; and
- a description sufficient to identify the goods or services supplied to the customer.

All staff with responsibility for raising invoices should be reminded of these requirements. Localised monitoring should be implemented to identify the level of non-compliance.

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invoices were raised within 2 months of delivery of goods / service. In one instance, the invoice had been raised over 2 months after service delivery, in a further three instances the dates of service delivery were not stated on the invoice.

Exceptions included:

- Invoice for Building control - no specific dates for inspection.
- Environmental Health - invoiced after 2 months from start of service delivery
- Waste and recycling - no service delivery date on invoice
- Building Control- no service delivery date on invoice

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Agreed Action	Responsibility	Deadline
For the future where exchequer staff receive incomplete information or the invoice request is more than two months after service / goods delivery, exchequer staff will contact the individual service to inform them.	Individual services and exchequer staff	31st December 2012

Outstanding Actions from Previous Audits

Priority	Action Required	Audit Findings
Important	Written evidence should be maintained for any requests for amendments to standing data received over the phone.	Testing found that in three instances we were unable to obtain supporting documentation for amendments to master file data. This was an issue raised in the 2011/12 audit, and therefore, this recommendation has not been fully implemented.
Important	In accordance with Council policy, all overdue invoices should be referred to the legal department to progress. New wording proposed- All overdue invoices should be subject to review and, if relevant, referred to legal.	Where no contact or no payment is made seven days after the final demand is issued the debt should be sent to legal. Audit testing of twenty cases identified 14 instances where there was no evidence to support that the debt had been passed to legal. The recommendation has been superseded and should now read. All overdue invoices should be reviewed and if relevant referred to legal.

Important	The Collection and Recovery Policy be updated and changes authorised by the Executive Committee.	The current version available to staff on the staff intranet is dated 2002/3. A revised version is currently being processed. Consultation has taken place and responses received, it is anticipated that the revised version will be taken to the Executive in December for approval.

Disabled Facilities Grants

Scope
Audit work was undertaken to provide assurance over the following control areas:

- Policies and procedures;
- Application and assessment;
- Works, scheduling, contractors, inspections and completion certificates;
- Invoice payment and approval;
- Collection of applicants contributions;
- Use of Home Improvement Agency; and
- Budget control and monitoring.

Audit Opinion and Direction of Travel

Reasonable
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Direction of Travel:	No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Policy Compliance	Policy – 16.4.7 Authorisation of invoices; Invoices can only be authorised by an employee whose level of delegated authority is above the total net value of the payment. Testing confirmed that invoices (creditor payment vouchers) had been correctly authorised for payment. Although testing passed in this area, testing of authorisation of contractor payments found a missed authorisation form and two further cases where the forms were poorly scanned. We were therefore unable to identify the authoriser in these three cases and a recommendation was raised.
Counter Fraud	Adequacy of the checks carried out on validity of application (including verification of identity, property ownership and residency and financial means). A number of issues arose from this testing mainly due to a lack of evidence on file to support these checks. Details are discussed within the main body of this report with a recommendation raised.

A 'Reasonable' level of assurance was issued following the completion of this audit, with two 'Important' recommendations and two "Advisory" recommendations raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
At the closure of each DFG case, all	Audit testing of a sample of ten Disabled Facilities Grants	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
supporting evidence should be scanned and retained on the BPMS system.	issued identified the following: • Six cases where there was no evidence to confirm the completion of an application form; • Two cases lacked evidence to support the undertaking of the financial means test; • Three cases lacked evidence to support ownership / residency checks being conducted. Audit testing a sample of ten completed works identified the following: • Eight cases where insufficient evidence to support any inspections of the property; • Eight cases where insufficient evidence to support the payment authorisation / satisfaction form had been signed by the customer; • Six cases where unsigned copies of the completion certificates were on file. Subsequent investigations found that all key documents were available in hard copies but not all had been scanned into BPMS.	

Agreed Action		Responsibility	Deadline
New cases will have an audit trail on file to evidence that benefits clients are in receipt of benefits. At the close of each case all supporting documentation will be scanned into BPMS		Housing Renewals Officer	31st October 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A signed formal partnership agreement should be in place between the Council and the Home Improvement Agency. The agreement should clearly outline the services to be provided, the responsibilities	We noted that a formal agreement is not currently in place between the Council and the Home Improvement Agency. It was noted that there is a contract in place between Hampshire County Council and the Home Improvement Agency, which Fareham Borough Council could join.	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
and roles for both parties, reporting and performance requirements and the agreement break clauses in the event of unsatisfactory performance.		

Agreed Action	Responsibility	Deadline
This is in the process of being renewed with an intended start with effect from 1st April 2013.	Housing Renewals Officer	1st April 2013

Community Development - Safeguarding

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Policies, Procedures and Legislation;
- Governance and Partnership Arrangements;
- Staffing, including CRB Checks;
- Training and Awareness of Staff and Members;
- Contractor Vetting Procedures;
- Incident Reporting and Assessment; and
- External Relationships with Partners, including the Local Safeguarding Board and Local Community Groups.

Audit Opinion and Direction of Travel

Reasonable
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Direction of Travel:	No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Data Quality	Data Quality – The December 2011 report to CXMT stated that there had been 17 cases in total since the previous report in September 2010. Examination of the register identified 18 cases listed between September 2010 and December 2011. The exception related to a case, reported in November 2011, which was omitted due to the timing of the report. We were assured that this case will be included within the next report to CXMT and therefore deemed satisfactory.

A 'Reasonable' level of assurance was issued following the completion of this audit, with four 'Important' recommendations raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A regular review should be undertaken of the Council's safeguarding policies to ensure that the Policy is kept up to date and in line with current legislation.

Consideration should be given to the inclusion of Adults at risk within the Policy, | The Council's Safeguarding Children Policy, Procedures and Guidelines were last subject to review in 2008 and only cover the protection of Children. It was noted that whilst the Policy states that the key principles of this Policy apply when working with adults at risk, however, there is no specific detail in place to help and protect those individuals, the staff, representatives and elected members who may be in contact | **Important** |

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Procedures and Guidance. Evidence of the review should be retained, the next review date should be stated and version control applied to the policies. The outcome of the review should be disseminated to staff and elected members.	with adults at risk.	

Agreed Action		Responsibility	Deadline
A review will be undertaken and any resulting changes will be disseminated to staff. Inclusion of adults at risk in the policies will depend on whether this is agreed at a corporate level.		The Community Development Manager	30th April 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Is should be clarified whether elected members should be subject to regular CRB checks. If this is not feasible, the Council should consider the following options: • A self-declaration form of any criminal convictions; or • A risk assessment to identify the Member's role; assessing what they do, how they do it, who they meet and what information they are privy to within that position.	Elected members are currently not subject to CRB checks. As representatives of the community and as community leaders, elected members could potentially come in contact with children and adults at risk.	**Important**

Agreed Action		Responsibility	Deadline
The indication is that CRB checks are no longer required for majority of staff and contractors and therefore the query remains of the relevance for Elected Members. The Review in Rec 1. should consider appropriate arrangements for elected members.		The Community Development Manager	30th April 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Safeguarding of Children and Adults at risk training should be provided to all new staff, volunteers and members. Refresher training should be provided, appropriate to the role. Training should be centrally coordinated with records of training and attendees retained.	The Hampshire Safeguarding Children's Board (HSCB) provided FBC staff with safeguarding training approximately three years ago. It was established that Ferneham Hall staff and volunteers received training specific to their needs in August 2011, however, due to turnover of staff at Ferneham Hall a number of seasonal and new staff would not have received an overview of safeguarding and corresponding training. Furthermore, it was established that Safeguarding Children training was provided to members in September 2010. Since the provision of this training, new Members have been elected.	**Important**

Agreed Action	Responsibility	Deadline
Resources to fund the training solution will be agreed through debate at CMXT.	Head of Personnel	30th April 2013
The Democratic Services team will record and log all Member Training requests and will liaise with Community Development team to schedule training sessions.	Head of Democratic Services	Immediate

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
In order to comply with the minimum training requirements set out by the LSCB, the person providing safeguarding training for contractors should have attended the required Child Protection Foundation Course.	Building Services opted to provide their own safeguarding training to contractors with their first session provided in September 2012. It was, however, established that the training provider has not attended the Child Protection Foundation Course, as required by the Local Safeguarding Children's Board guidelines.	**Important**

Agreed Action	Responsibility	Deadline
The training provider at the depot will be made aware of the need to attend the required Child Protection Foundation Course.	Depot Staff	30th April 2013

Network Security and Infrastructure

Scope

Audit work was undertaken to provide assurance over the following control areas:

- **Windows Operating System Security**
  - System Accounts Policy;
  - Audit Policy Settings;
  - Registry Key Settings;
  - Analysis of Trusted and Trusting Domains;
  - Use of Home Directories, Logon Scripts;
  - Analysis of Services and Drivers;
  - User Account Management;
  - Discretionary Access Controls;
  - User Permissions;
  - Network Resilience;
  - Network Management and Support;
  - Network Topology; and
  - Network Device Security.

Audit Opinion and Direction of Travel
Reasonable
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Direction of Travel:	⇔2006/7

Other Assurances	
Previous Weaknesses addressed	0/2 (0%) of previous recommendations were found to have been implemented.

A 'Reasonable' level of assurance was issued following the completion of this audit, with ten 'Important' recommendations two of which were previously raised recommendations which were found not to have been fully implemented and four 'Advisory' recommendations.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should apply the following settings to the Domain Accounts Policy of the Windows Operating System: • rename the Administrator from the default supplied name to a new	The policy values for "Rename administrator account" and "Rename guest account" identified they had not been renamed, although the "Guest" account has been disabled and the policy value for "Allow lockout of the local administrator account" was "Disabled". Furthermore, the password for the Administrator account was last changed in	**Important**

name to make this less obvious; • enable a lockout of the local administrator account; and • put in place a process to periodically change the Administrator password, especially when a member of the ICT team leaves who would have access to or knowledge of the password.	June 2009.	

Agreed Action	Responsibility	Deadline
1. We will investigate the name change and the lockout of the local administrator account to ensure that it does not affect/impact anything on the system. 2. We have added changing the Domain Administrator password to a 6 monthly review procedure and will be updated once the password has been changed.	Technical Infrastructure Manager (AS)	21st December 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A review of all the GPOs (Group Policy Objects) defined on the network domain should be undertaken, and where they appear to be redundant or inconsistent, that the required corrective action to remove or rename the object should be undertaken.	A review of the security analysis report identified there are a total of 157 GPOs defined on the Fareham domains of them: - 42% (66) do not exist on disk; - 25% (39) have the Computer Configuration Disabled; - 29% (46) have the User Configuration Disabled; and - 41% (65) are not linked to a container.	**Important**

Agreed Action	Responsibility	Deadline
We have identified and disabled a large number of GPOs that can shortly be deleted.	Technical Infrastructure Manager (AS)	31st March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The audit policy settings on the Windows network domain should be enhanced by applying the following suggested settings. These events should be reviewed as part of the audit log review process:	The analysis of the audit policy settings identified that although auditing has been set for certain events, it has not been set for Object Access and Process. In addition it was noted that for Privilege use only auditing by failure had been set.	**Important**

Policy Items	**Audited Events**		
Object Access	Success, Failure		
Privilege Use	Success, Failure		
Process Tracking	Log failures of process events only		

Enabling some of these logs may have performance implications on the network and therefore a review should be performed following the implementation of the logs to confirm that they do not have a detrimental effect.

Agreed Action	**Responsibility**	**Deadline**
Will implement these recommended settings and keep a close eye on performance.	Technical Infrastructure Manager (AS)	21st December 2012

Recommended Action	**Audit Finding**	**Priority** **(Essential / Important / Advisory)**
Management should ensure that accounts with zero length password settings should have their settings changed so that they are forced to enter a password that is in line with leading practice. Should there be an exception where its implementation may affect the operation of the service, this should be documented and its exception authorised by senior management.	The security analysis identified that due to account level security settings, excluding disabled accounts, the following 10 users are allowed to logon with a zero length password. **Account Name** 0012 - CSC officer 0029 - CSC officer 0529 - Pest Control officer 0581 - Sheltered housing officer 0670 - Gardner 0703 - Refuse collector1136 - Gardner 1384 - Parks technical officer 1464 - Facilities assistant 1572 - Bar assistant	**Important**

Agreed Action	**Responsibility**	**Deadline**
We will change these 10 accounts following procedures provided by the auditor.	Technical Infrastructure Manager (AS)	Completed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A review of the currently assigned rights should be performed and the rights that should not be 'granted to anyone' only allowed if this is imperative to the operation of the system. Specifically, the following permissions should be reviewed: • 'Act as part of the operating system'; • 'Adjust memory quotas for a process'; • 'Log on as batch job'; and 'Log on as a service'.	Examination of the system security extract identified that the rights that should not have been 'granted to anyone' were assigned to: • 'Act as part of the operating system' – this right is assigned to id 1336; • 'Adjust memory quotas for a process' - all the seven administrators who are part of the Administrators Group have this right; • 'Log on as batch job' - four accounts have this right - 0177, 1336, dmacdonell and dwalker (disabled account); and • 'Log on as a service' - three user accounts have this right - 1336, ascribbans-adm and CHRISCS (Chris Client Server account).	**Important**

Agreed Action		Responsibility	Deadline
All listed accounts will be reviewed and rights will be removed unless there is a definite need for these to be in place.		Technical Infrastructure Manager (AS)	21st December 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should consider the potential benefits of effectively restricting network access to authorised devices, and the use of appropriate tools to achieve these. This could include the use of Network Access Protocol and Network Access Control (NAP/NAC).	Audit enquiry established that there are currently no controls in place to prevent and detect unauthorised devices from connecting to the Council's network.	**Important**

Agreed Action		Responsibility	Deadline
Implement IDAM as soon as Ridgeline SP4 has been released.		Technical Infrastructure Manager (AS)	31st March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should remove or minimise the single points of failure in the Council's network infrastructure design to help confirm that the Council's operations are not impacted by weaknesses in the infrastructure caused by failure of a single network component.	Our audit of the network architecture noted that the Council's internet service is dependent on a single connection and there is only one switch that provides the main connection into the Corporate network from the DR site where part of the Council's network is hosted.	**Important**

Agreed Action		Responsibility	Deadline
We will review resiliency options to see if an adequate mitigation can be put in place.		Technical Infrastructure Manager (AS)	31st July 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A formal Network Strategy should be developed or included in the IT strategy, approved and signed off by senior management of the Council. The strategy should include, for example: • meeting the needs of the services as well as the Corporate plans and strategy; • network capacity and traffic volumes that are required to meet the needs of the Council; • the requirement for resilience of the network as well as its components; • use of voice, data and video communications technology; • standards of the operating system environment, servers and PCs; • the level of security required; • long term developments of capacity, performance, lines (network and telephony), software, hardware etc.; and • responsibility for the management and	We are informed during our audit fieldwork that there is currently no formal documented network strategy in place to identify the future requirements of the network.	**Important**

support of the network.		

Agreed Action	Responsibility	Deadline
We will look to developing a Network strategy.	Head of ICT (PH)	31st July 2013

Outstanding Actions from Previous Audits

Priority	Action Required	Audit Findings
Important	Regular review and maintenance of accounts on the Domain should be carried out for accounts that have: • not registered any activity for a period of time; • have been disabled for a considerable period; or • whose expiry date has long since passed. Where identified as redundant, these accounts should be removed from the network.	The security analysis identified that: • Excluding disabled accounts, there are 396 (19.4%) user accounts that have never been used or their last logon date is unknown; • There are 37% (755) accounts that have expired. Of these, 748 have expired from a period 2011 back to 2001 and therefore considered to be redundant; and • 53.5% (1092) of user accounts have been disabled of which there are 1083 accounts whose last logon date is unknown.
Important	The Discretionary Access Control Lists (DACLs) should be reviewed to ensure they are valid, current and that permissions granted through them are appropriate.	Review of the SekChek security report identified that there are 36,638 DACLs defined on the following classes of container objects: • Containers: 36,362 DACLs • Domains: 148 DACLs • Organizational Units: UNKNOWN • Sites: 128 DACLs A sample of the DACLs show that the following Trustees own over 100 DACLs and whose requirement is not clear: • Account Operators • C Drive Access • Print Operators • CHRIS 21 Computers • Print room • CT008 • 0133 • DUser • 0144 • ICT Development • 1994 • Logon script testing

Telecommunications

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Telecommunications Strategy and Acceptable Usage Policies;
- Equipment Issue, Control and Security;
- System Management Roles and Responsibilities;
- System Security;
- Call Restrictions;
- Call Audit Trails;
- Resilience, Disaster Recovery and Maintenance; and
- System Monitoring and Reporting.

Audit Opinion and Direction of Travel

Reasonable
☺

Direction of Travel:	2002/03 Previous Audit Not Comparable

Other Assurances	
Counter Fraud	An area of Counter Fraud was requested to be examined during this audit and has been covered in the system security section of this report. This identified that to avoid hacking of the switch the Council has regular penetration and vulnerability testing to identify vulnerabilities of obtaining remote access.
Previous Weaknesses addressed	2/3 (67%) of previous recommendations have been implemented

A 'Reasonable' level of assurance was issued following the completion of this audit, with two 'Important' recommendations and seven "Advisory" recommendation raised to enhance control. Six recommendations were followed up as part of this audit. This found that two recommendations have been implemented and three recommendations are no longer required. The one remaining recommendation has been re-raised as an "Advisory" recommendation.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The 'administrator' login should be configured to grant access to the Mitel 3300Mxe network telephony switch for only named individual IDs and passwords so that there is complete accountability and transparency maintained	Access into both the primary and secondary voice Mitel 3300Mxe switches at the Council was identified to be either direct access via an *https* browser session into the Mitel Network 3300 Integrated Communications Platform or via the Mitel Enterprise Manager (MEM) GUI console which enables	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
of all user activities including high level administrative functions on the switch. If the use of shared generic user accounts for accessing the switch is to remain, then these should be restricted and monitored on a periodic basis.	the clustered pair of Mitel Network 3300Mxe switches and all IP handsets connected to the voice network to be centrally configured, administered and managed. On the MEM, there were two Security Groups setup and configured which were noted to be 'System Admin' and 'Operations 1' that were used for IP Handset and user administration and operational support. The permissions assigned and applied for both these security groups were noted to be in line with the role. Individual user accounts were identified to be used for three of the User Support Officers who were assigned to the 'Operations 1' Security Group in MEM. However, the ICT Infrastructure team was identified to be using the generic account profile called 'administrator' within the 'System Admin' security group for high level access to the Mitel telephone switch and infrastructure. Although, audit trails are maintained within the events logs of access and authentication, there is no transparency and accountability for when ICT Infrastructure staff use the generic 'administrator' profile.	

Agreed Action		Responsibility	Deadline
We will review and create individual user accounts for the "System Admin" Security Group for the Mitel 3300Mxe network telephony switch.		Network Analyst	February 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Password policies which control access into the Mitel 3300Mxe switch, as well as via the Mitel Enterprise Manager (MEM) GUI solution, should be evaluated, strengthened and where possible enforced by the system. The following password controls should be considered and implemented which are in accordance with leading practice, as well as	The ICT Infrastructure Team and three User Support Officers have been setup and configured to access the Mitel 3300Mxe switch. Current password rules and standards that have been configured on the system do not fully comply with leading practice, as well as the minimum requirements of the Information Security Policy at the Council. It was acknowledged that the MEM console was designed with a limited security configuration menu without logical access	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
the Information Security Policy at the Council: • Passwords should be a minimum length of 8 characters; • Passwords should be complex by consisting of alpha and numeric characters; • Passwords should be changed on a periodic basis; and • A password history should be maintained to prevent re-use.	policies, such as the minimum password character length, expiration, password history which could be configured and enforced on the switch. These enhanced automated features within the Mitel software would incur a significant cost to ICT Services.	

Agreed Action	Responsibility	Deadline
We will review the password control settings for the Mitel network switch and identify and actions that can be manually implemented to make them more in accordance with best practice.	Network Analyst	February 2013

Geographical Information Systems

Audit work was undertaken to provide assurance over the following control areas:

- Project Management Methodology;
- Project Risk Management;
- User Satisfaction;
- Identification of Project Benefits;
- Transfer to normal Business operations;
- System Development;
- System Security and Resilience; and
- Change and System Management.

Audit Opinion and Direction of Travel

Reasonable
☺

Direction of Travel:	No Prior Audit

A 'Reasonable' level of assurance was issued following the completion of this audit, with seven 'Important' recommendations and one "Advisory" recommendation raised to enhance control. No prior audit had been undertaken in this area and as such no recommendations required following up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should establish procedures to confirm that end user satisfaction exercises are performed in order to confirm compliance with user requirements.	It was identified that a Post Implementation Review of user satisfaction survey has not been performed following implementation of the system.	**Important**

Agreed Action	Responsibility	Deadline
An end user satisfaction survey will be performed as part of a post implementation review due to be completed by the end of March 2013.	GIS Development Officer	January 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should formalise the benefits realisation process by defining clear and	It was identified that there is no benefits register and proactive management of the benefits identified during the	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
measurable benefits along with details of the responsible officers for assessing project benefits.	project.	

Agreed Action		Responsibility	Deadline
The benefits realisation process will be reemphasised as part of the post implementation review.		GIS Development Officer	March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should review and update the GIS Strategy in order to reflect ongoing system enhancements.	There is a GIS Strategy which was approved in 2007 prior to the procurement and implementation of the current GIS solution at the Council. This strategy has not been updated and as a result, does not reflect ongoing system development and enhancement requirements.	**Important**

Agreed Action		Responsibility	Deadline
The GIS Strategy will be considered as part of ongoing plans for a newly developed GIS Steering Group and a draft strategy will be developed from this process over the next 12 months.		GIS Development Officer	December 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Access to the desktop version of the software, which requires a licence and has edit functionality should be restricted to only appropriately authorised members of staff.	The current configuration for access to the desktop application is open to any authenticated client machine on the same network as the licence.	**Important**

Agreed Action		Responsibility	Deadline
The configuration for access to the licence pool on the system will be investigated with ESRI (UK) Ltd and restrictions will be implemented thereafter.		GIS Development Officer	31st January 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Permissions and access rights within departmental folders holding editable GIS related data is restricted to only authorised staff.	It was identified that there are departmental folders on a shared network drive which holds departmental GIS related data. It was identified that all authenticated user account profiles on the Council's network currently have full control over these folders.	**Important**
Agreed Action	**Responsibility**	**Deadline**
Permissions on shared accounts holding GIS data will be reviewed to ensure that all areas within the restricted folders are restricted to only appropriately authorised users.	GIS Development Officer	Completed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The ARCGIS database and ARCGIS application servers should be included in disaster recovery plans and also confirm that they are subject to regular recovery testing.	Audit testing identified that the ARCGIS database and ARCGIS application servers are currently not included in the Council's disaster recovery arrangements.	**Important**
Agreed Action	**Responsibility**	**Deadline**
1. The GIS servers ARCGISAPP are now included on the list of servers with real time replication to the DR site. 2. The DR test will be completed by March 2013.	Technical Infrastructure Manager	March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Documented testing should be performed on all system updates prior to their release into the live environment.	There is currently no documentation of testing conducted as part of procedures to implement system updates from the system supplier.	**Important**
Agreed Action	**Responsibility**	**Deadline**
There is a procedure in place that will be adopted to define a list of tests on the software that can be incorporated into the Change Control process for the GIS system.	GIS Development Officer	31st March 2013

IT Audit Follow Up

Scope

Audit work was undertaken to ascertain the current status of recommendations made in the following audit reports:

- 2010/11 Installation and Security Review – five recommendations followed up;
- 2010/11 Access Controls – five recommendations followed up.

Audit Opinion and Direction of Travel

N/A

These recommendations had previously been reported by the services as having been implemented and the focus of the audit was to confirm this status. The implementation of recommendations followed up during this audit identified the implemented status being reported was accurate.

Summary of Assurance Opinions Used

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 internal audit 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 internal audit 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 internal audit 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. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit 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 audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

February 2013

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

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