

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 17 September 2018

Report of: Head of Finance and Audit

Subject: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

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

RECOMMENDATION

It is recommended 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 PREVIOUS AUDIT PLANS

2. The current status of the 15 audits remaining from the previous Audit Plans is detailed in Appendix One. Three reports have now been finalised and work has continued on the rest of the 2017/18 audits such that all are now all fully in progress.

PROGRESS OF 2018/19 AUDIT PLAN

3. Work has started to deliver the 2018/19, as noted in Appendix Two, such that 4 audits have now reached the fieldwork or draft report stage.
4. An extra audit has also been added to the plan to review compliance with the latest CIPFA guidance on Audit Committees.

FINDINGS FROM COMPLETED AUDITS

5. The three latest final reports that have been issued are listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Developers Contributions 2017/18	Reasonable	-	1	-
IT Procurement 2017/18	Reasonable	-	2	-
Chipside 2017/18	Reasonable	-	2	-

6. Detail of the recommendations made and the actions to be taken is provided in Appendix Three.

RISK ASSESSMENT

7. There are no significant risks to highlight from the completed audits in this report.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2018/19 Audit Plan

Appendix Three - Findings from the Latest Completed Audits

Appendix Four - Reference Tables

Background Papers: None

Reference Papers:

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

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

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

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

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

Enquiries:

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

APPENDIX ONE

Update on Outstanding Audits from Previous Plans

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

Audit Title	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
2014/15										
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
2015/16										
Land Charges	Service and Systems – HR	12	Stage 8							
2016/17										
Daedalus Operating Contracts	Service and Systems – HR	12	Stage 9							
Cloud Based Computing	Computer	15	Stage 8							
Leaseholder Charges	Joint working project		Stage 5							
Building Health and Safety Risks	Follow Up / Joint working		Stage 9							
2017/18										
Commercial Estates	Service and Systems – HR	15	Stage 9							
Property Maintenance & Inspections at Non-Housing Buildings	Service and Systems – HR	15	Stage 4							
Developers Contributions	Service and Systems – HR	15	Stage 10	Reasonable	-	1	2	2	1	-
Chipside (Parking IT system)	Computer	12	Stage 10	Reasonable	-	2	1	2	-	-
IT Procurement	System review		Stage 10	Reasonable	-	2	1	-	-	-
IT costs and budgets	Thematic Review		Stage 8							
Risk Inspections of Public Areas	Thematic Review		Stage 4							
Mobile Phone Billing	Thematic Review		Stage 5							

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

APPENDIX TWO

Audits in the 2018/19 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
OPINION AUDITS											
1	Council Tax and NNDR	Fundamental System	15	Stage 4							
2	Capital Expenditure and Accounting		10	Stage 1							
3	Accounts Payable		10								
4	Fixed Assets		10								
5	Cemeteries & Closed Churchyards	Service and Systems – High Risk	15	Stage 1							
6	Housing Grants and Home Improvements		10	Stage 5							
7	Parking Strategy and Income		15	Stage 1							
8	Vehicle Management		15	Stage 1							
9	Housing Communal Services		10								
10	Planning Applications		15								
11	Markets Contract	Service and Systems - Other	5								
12	Out of hours service		12								
13	Orchard (Housing Rents IT system)	Computer	15								
14	Software Control Follow up		8								
15	Ferneham Hall Follow up	Follow Up	10								
16	Dog Control Follow up		5	Stage 9							
	Contingency / In-house support		50								
	Total Planned Time		230								
WIDER WORK											
17	Insurance claimants who have been the subject of fraud investigations	Computer - data analytics		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
18	Contract Management	Corporate / Contract - joint working									
19	General Data Protection Regulations - Responding to database search requests	Corporate - joint working									
20	Write Offs History Analysis & Interest charges	Thematic review									
21	Deceased persons list	Thematic Review									
22	Use of depot storage areas and security of plant, equipment and materials.	Joint working project		Stage 1							
23	Housing Maintenance invoicing and stock control - part 2	Post investigation systems work		Stage 1							
24	Review of all outstanding IT audit recommendations	Follow Up		Stage 1							
25	Review of all other outstanding audit recommendations	Follow Up									
26	Review of compliance with new CIPFA guidance on Audit Committees (Extra)	Publication review		Stage 1							

APPENDIX THREE

Finding from the Latest Completed Audits

Audit Title	ICT Procurement	Overview of Subject: This audit looked at the procedures and controls in place over the procurement of ICT services and supplies. There is a central ICT team who are responsible for procuring the hardware and the common use software for the Authority. More specialised department specific software is procured by the relevant team, though the expenditure is usually still drawn from the ICT revenue and capital budgets. The capital budget for 2017/18 was £280,000.
Year of Audit	2017/18	
Type of Work	Opinion audit	
Assurance Opinion Given	Reasonable	
Direction of Travel	First Opinion Given	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🔴*)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
ICT Strategy Group			-	-	-	-	-	-
ICT Strategy			-	-	1	-	-	-
ICT Procurement Process			-	-	-	-	-	-
Hardware and Software Lifecycle Planning			-	-	-	-	-	-
Procurement Rules & Information			-	-	-	-	-	-
Circumvention of Procurement Rules/Thresholds			-	2	-	-	-	-
Purchases Under £500			-	-	-	-	-	-
Purchases Over £500			-	-	-	-	-	-
Evidence of Purchases			-	-	-	-	-	-

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

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Significant Purchases – There was a lack of transparency over the market testing of some suppliers where the expenditure is over £20,000 as required by the current contract procedure rules. The service will therefore be agreeing an approach to reconsidering the market as will be required by the new Contract Procedure Rules.
Important	Other Purchases – There was a lack of transparency over the price testing of some suppliers where the expenditure is over £5,000 as required by the current contract procedure rules. The service will therefore make sure they have a good justification for the choice of supplier for this level of spend as will be required by the new Contract Procedure Rules.

Audit Title	Chipside	<p>Overview of Subject: This audit looked at the Chipside system which monitors, records and manages the issue of Penalty Charge Notices (PCNs), Season tickets, and parking permits, under Government legislation contained within the Traffic Management Act. Agreements are in place with Chipside and JBW Ltd for the services used in the management of these processes.</p> <p>The Chipside system is held on FBC's server, and any issues relating to the system, including software problems are dealt with by Chipside through remote access to the server.</p>
Year of Audit	2017/18	
Type of Work	Computer Audit	
Assurance Opinion Given	Reasonable	
Direction of Travel	First Opinion Given	

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
Policies and Procedures are in place			-	-	-	-	-	-
Appropriate contracts/agreements are in place			-	2	-	-	-	-
Roles and responsibilities are agreed for software administration			-	-	-	-	-	-
Clearly communicated parameters for report generation			-	-	-	-	-	-
Regular management reporting with agreed KPIs			-	-	1	-	-	-
Data Security			-	-	-	-	-	-
Follow up			-	-	-	2	-	-

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

Important	Contract Documents – The service did not have access to a copy of the agreement with the supplier and so were not aware of both parties responsibilities under these agreements. A copy was found during the audit and is now stored securely.
Important	Agreement with Bailiff Services – The contract/agreement with the bailiff for the provision of collection services had expired. Cross Hampshire work was in progress to review and update the framework, but this needs to be monitored to ensure that the authority is not without a contract or agreement for this service for too long a period.

Audit Title	Developers Contributions	Overview of Subject: This audit looked at Developer's Contributions which are levied and negotiated by the Development Management Team. Contributions can be collected via the Community Infrastructure Levy (CIL) or by Section 106 agreements. Amounts collected under CIL must be spent on infrastructure projects contained within a Regulation 123 list. S106 contributions relate to more specific projects connected directly to the development and must be spent in those specific areas. S106 contributions cannot be linked to any infrastructure contained within the Regulation 123 list.
Year of Audit	2017/18	
Type of Work	Opinion audit	
Assurance Opinion Given	Reasonable	
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	Not Implemented
Identification and Calculation of Contributions			-	1	-	-	-	-
Compliance with Process			-	-	1	-	-	-
Spending of CIL			-	-	-	-	-	-
CIL Reporting			-	-	-	-	-	-
Coding of Contributions			-	-	-	-	-	-
Recovery of Debts			-	-	-	-	-	-
Debt Monitoring			-	-	-	-	-	-
Spending of S106			-	-	-	-	-	-
Unspent S106 Amounts			-	-	1	-	-	-
Long Term Planning			-	-	-	-	-	-
Overlap of Charging			-	-	-	-	-	-
Ocella Reconciliations			-	-	-	1	-	-
Suspense Accounts			-	-	-	1	-	-
S106 Calculation Checks			-	-	-	-	1	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Identification and Calculation of Contributions - As part of the CIL process when a draft liability notice or draft demand notice is produced by the Business Support Officer it is passed to the relevant case officer to check over. There was no evidence that these checks had taken place as the draft notice is just returned to the Business Support Officer to send to the relevant parties. The Planning officers have agreed that they will initial the draft Liability and Demand notices to confirm they have been checked and are correct. The Business Support Officer will then scan these onto the system as evidence.

APPENDIX FOUR

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.