

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 22 July 2019

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 the progress being made with delivering the audit plans.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- a) to approve significant interim changes to the internal audit plan and resource requirements;*
- b) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- c) to review updates on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit work.*

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.

PROGRESS OF 2018/19 AUDIT PLAN

2. The original plan for the year contained 25 audits. As previously reported there have been some changes to the “wider work” audits in the plan resulting in 2 audits being added, 2 being removed for coverage in different ways and another 2 being postponed until the 2019/20 plan.
3. Although both teams have continued to experience extraordinary impacts on staff resources this year, both teams, which includes the additional staff recruited, have managed to make significant progress on the delivery of the rest of the plan such that sufficient work has been completed to support the Annual Audit Opinion. 22 of the remaining 23 audits are at least at the fieldwork stage and 18 audits have now been finalised, as detailed in Appendix Two.

FINALISING PREVIOUS AUDIT PLANS

4. The current status of the 9 audits remaining from the previous Audit Plans is detailed in Appendix One. Work has continued on the following three older audits which should get them to a final report in the coming months:
 - Cloud Computing
 - Risk Inspections of Public Areas
 - Building Health and Safety Risks

PROGRESS OF 2019/20 AUDIT PLAN

5. Work has started to deliver the 2019/20, as noted in Appendix Three, such that 4 audits have now reached the fieldwork stage.

FINDINGS FROM COMPLETED AUDITS

6. The 9 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
Cemeteries & Closed Churchyards 2018/19	Strong	-	-	-
Planning Applications 2018/19	Strong	-	-	-
Orchard 2018/19 (Housing Rents IT system)	Strong	-	1	-
Fixed Assets 2018/19	Reasonable	-	-	1
Review of compliance with new CIPFA	Reasonable	-	1	-

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
guidance on Audit Committees 2018/19				
Software Control Follow up	Reasonable	-	2	-
Markets Contract 2018/19	Limited	2	5	-
Ferneham Hall Follow up 2018/19	Not applicable	-	-	24
Housing Maintenance - part 2	Not applicable	1	4	3

7. Detail of the areas covered, recommendations made and the actions to be taken is provided in Appendix Four.

RISK ASSESSMENT

8. There are a few risk considerations in relation to this report, arising from those audits that have only been given limited assurance. Details of the risks is given in Appendix Four.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2018/19 Audit Plan

Appendix Three - Audits in the 2019/20 Audit Plan

Appendix Four - Findings from the Latest Completed Audits

Appendix Five - 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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 11 March 2019 on the Internal Audit Plan 2019/20

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 9							
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							
Risk Inspections of Public Areas	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 Business Rates	Fundamental System	15	Stage 10	Strong	-	1	-	1	-	1
2	Capital Expenditure & Accounting		10	Stage 10	Reasonable	-	-	-	2	-	2
3	Accounts Payable		10	Stage 10	Strong	-	-	1	1	-	-
4	Fixed Assets (NEW)		10	Stage 10	Reasonable	-	-	-	1	-	1
5	Cemeteries & Closed Churchyards (NEW)	Service and Systems – High Risk	15	Stage 10	Strong	-	-	2	3	-	-
6	Housing Grants & Home Improvements		10	Stage 10	Reasonable	1	1	-	-	2	-
7	Parking Strategy and Income		15	Stage 10	Reasonable	-	2	-	4	1	2
8	Vehicle Management		15	Stage 10	Strong	-	2	-	5	2	-
9	Housing Communal Services		10	Stage 10	Reasonable	1	-	-	3	-	-
10	Planning Applications (NEW)		15	Stage 10	Strong	-	-	2	1	-	-
11	Markets Contract (NEW)	Service and Systems - Other	5	Stage 10	Limited	2	5	-	-	-	-
12	Out of hours service		12	Stage 5					-	-	-
13	Orchard (NEW) (Housing Rents IT system)	Computer	15	Stage 10	Strong	-	1	-	-	-	-
14	Software Control Follow up (NEW)		8	Stage 10	Reasonable	-	2	-	-	7	-
15	Ferneham Hall Follow up (NEW)	Follow Up	10	Stage 10	Not applicable	-	-	-	55	5	24
16	Dog Control Follow up		5	Stage 10	Limited	-	-	-	1	-	6
	Contingency / In-house support		50								
	Total Planned Time		230								
WIDER WORK											
17	Insurance claimants who have been the subject of fraud	Computer - data analytics		Stage 10	Not applicable	-	-	-	-	-	-

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
	investigations										
18	Review of compliance with new CIPFA guidance on Audit Committees (EXTRA - NEW)	Publication review		Stage 10	Reasonable	-	1	1	-	-	-
19	Housing Maintenance - part 2 (NEW)	Post investigation systems work		Stage 10	Not applicable	1	4	-	14	11	3
20	Write Offs History Analysis & Interest charges	Thematic review		Stage 4							
21	Housing Options Debtors (EXTRA)	Thematic Review		Stage 4							
22	Review of outstanding IT audit recommendations	Follow Up		Stage 9							
23	Review of all other outstanding audit recommendations	Follow Up		Stage 1							
	Use of depot storage areas and security of plant, equipment and materials.	Joint working project		To now be treated as reactive work							
	Deceased persons list	Thematic Review		Postponed to next year							
	Contract Management	Corporate / Contract - joint working		Postponed to next year							
	General Data Protection Regulations - Responding to database search requests	Corporate - joint working		Deleted for delivery by service							

APPENDIX THREE

Audits in the 2019/20 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	Payroll and Employee Expenses	Fundamental Systems	15	Stage 1							
2	Housing Rents		15	Stage 1							
3	Banking		5								
4	Treasury Management		10								
5	Tenancy Management	Services and Systems – High Risk	15								
6	Parks and Open Spaces		15								
7	Street Cleansing		10								
8	Local Plan		10	Stage 4							
9	Property Maintenance – Council Housing Voids	High Risk/ Contract Audit	15								
10	Fuel System	Computer Audit	10	Stage 4							
11	BACS processing through Bottomline		10								
12	Recording of sickness through the HR 21 system	Corporate, Specialist, Governance	10								
13	Safeguarding	Services and System - Other	10	Stage 4							
14	Planning Advice		5								
15	Land Charges		10	Stage 4							
16	CCTV Control Centre		10								
17	Dog Control Follow Up	Limited Opinion Follow Up	8								
	Contingency / In-house support		47								
	Total Planned Time		230								

[illegible]

APPENDIX FOUR

Finding from the Latest Completed Audits

Audit Title	Cemeteries and Closed Churchyards	Overview of Subject: Fareham Borough Council are currently responsible for 11 different cemeteries and closed churchyards and this is managed by the Streetscene team. The Authority's responsibilities include maintenance of the grounds, registering of burials, memorial inspection and repairs as well as the processing of income received as a result of interment. The team within Streetscene deal with on average over 200 burials a year which generates income of approximately £200,000 per year. Maintenance is dealt with internally by the Grounds Maintenance team.
Year of Audit	2018/19	
Type of Work	Opinion audit – High Risk	
Assurance Opinion Given	Strong	
Direction of Travel	↑2007/08	

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
Reserved plots			-	-	1	-	-	-
Income from interment			-	-	-	-	-	-
Grounds Maintenance			-	-	-	-	-	-
Register searches			-	-	1	-	-	-
Repair and removal of memorials			-	-	-	-	-	-
Income channels			-	-	-	-	-	-
Acceptance of payments by Cheque			-	-	-	-	-	-
Income processing			-	-	-	-	-	-
Reconciliations			-	-	-	1	-	-
Memorial processing			-	-	-	1	-	-
Registers and Records			-	-	-	1	-	-

Audit Title	Planning Applications	Overview of Subject: The Fareham Borough Council planning application process receives an average of 1,500 applications per year generating approximately £500,000 of income.
Year of Audit	2018/19	
Type of Work	Opinion audit – High Risk	
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	Not Implemented
Policies and Strategies			-	-	-	-	-	-
Management of Planning applications compliant			-	-	-	-	-	-
Work on listed buildings			-	-	-	-	-	-
Applications for Demolition			-	-	-	-	-	-
Collection of fees/Other Income			-	-	1	1	-	-
Planning Liaison with other departments			-	-	1	-	-	-
Performance against KPIs is monitored			-	-	-	-	-	-
Section 106 Agreements			-	-	-	-	-	-

Audit Title	Orchard (Housing Rents IT System)	Overview of Subject: The Orchard system provides a platform for the Authority to manage its Housing portfolio and manage rent collection from tenants. The Authority currently uses the system to manage approximately 2,400 Council properties, 550 garages and 400 leasehold properties, which were sold under the Rent to Buy Scheme, and 75 managed leases. The system provides different functions through modules which allow users to utilise different areas of the Housing Management system without paying for the entire software.
Year of Audit	2018/19	
Type of Work	Opinion audit - Computer	
Assurance Opinion Given	Strong	
Direction of Travel	↑(2007/08)	

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
User Acceptance Testing			-	1	-	-	-	-
Change Control Processes			-	-	-	-	-	-
Back-ups and recovery			-	-	-	-	-	-
Data Management			-	-	-	-	-	-
Data Validation			-	-	-	-	-	-
Audit Logs			-	-	-	-	-	-
Access Permissions			-	-	-	-	-	-
System upgrades/Patch Management			-	-	-	-	-	-
Interfaces			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	User Acceptance Testing - Testing highlighted that a process was in place to test system updates on the Orchard system in a test environment before being deployed to the live server; a template was also provided showing the areas that are considered when the updates are tested. However, no records are kept of the testing that takes place and as such there is no evidence to suggest this is being completed every time. This issue was risk accepted by management on the basis that no issues have been occurring from inadequate testing. They also think that the destruction of the testing records helps keep the personal data safe as the data extracted for testing is extracted from the live system.

Audit Title	Fixed Assets	Overview of Subject: The Fareham Borough Council Fixed Asset Register details over 3,000 assets with a total net book value of £200M. This includes land, buildings, council dwellings, investment properties and vehicles. The Net Book Value is calculated as the value of the assets including any revaluation as at 31st March 2018 (Gross Book Value) less any depreciation charges. Assets are capitalised over a value of £10,000, although if works above the value of £10,000 are undertaken, but do not enhance the asset, they are not capitalised.
Year of Audit	2018/19	
Type of Work	Opinion audit – Fundamental system	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔ 2015/16	

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 Strategies			-	-	-	1	-	-
Monitoring of financial data, including balance sheet valuation and depreciation			-	-	-	-	-	-
Deeds and Insurance			-	-	-	-	-	-
Asset Register Maintenance including: de-minimus limits; acquisitions & enhancements.			-	-	-	-	-	-
Technology Forge IT system			-	-	-	-	-	-
Approval and income for disposals			-	-	-	-	-	-
Leasing Agreements			-	-	-	-	-	-
Stamp Duty Land Tax			-	-	-	-	-	-
Asset Management Plan/Asset Maintenance Programme			-	-	-	-	-	1

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

Previous Important	Current Asset Maintenance Plan – The Asset Management Plan has not been updated since 2012 although there are planned maintenance programmes in place.
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Audit Title	Review of compliance with new CIPFA guidance on Audit Committees	<p>Overview of Subject: The Audit and Governance Committee has been in operation since 2012/13 when the previous Audit Committee merged with the Standards Committee. It is a standalone non-executive committee which leads on corporate governance.</p> <p>Best practice on the functions and operation of the Committee is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which encourages committees to carry out self-assessments of their level of compliance with the latest best practice guidance. New guidance was issued in 2018 and this audit sought to update the assessment of the level of compliance.</p>
Year of Audit	2018/19	
Type of Work	Wider work - Publication review	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔ 2007/08	

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
Audit & Governance Committee terms of reference & adherence			-	-	-	-	-	-
Structure & Membership (including wider function)			-	-	-	-	-	-
Independence & Accountability			-	-	-	-	-	-
Member Training & Skills Mix			-	-	1	-	-	-
Partnership Assurance			-	1	-	-	-	-

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

Important	Partnership Assurances – There is a new requirement in the 2018 guidance for the Committee to oversee assurances in relation to partnership arrangements. Work has therefore been included in the 2019/20 internal audit plan to review partnership assurances and the flow to the Audit and Governance Committee
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Audit Title	Software Control	Overview of Subject: The use of unlicensed software or the unauthorised downloading, sharing, selling, or the installing of multiple copies of licensed software is illegal and can result in both civil as well as criminal penalties. Unlicensed software use also includes license infringement by installing a piece of software more times than the license permits. This audit therefore reviewed the Council's arrangements to effectively manage the software in use at the Council, by confirming the status of the 7 previous recommendations made in the 2015/16, when an audit of opinion of Limited was given.
Year of Audit	2018/19	
Type of Work	Computer audit Follow Up	
Assurance Opinion Given	Reasonable	
Direction of Travel	↑2015/16	

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
Software Policies			-	1	-	-	3	-
Software Inventory			-	Covered in important rec below	-	-	1	-
Software Copyright			-	1	-	-	3	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Reliance on manual records – Licences are managed in a variety of ways and there is currently no accurate identification tool to determine what software is installed on the computers under FBC's control and ownership. A management tool is being used to deploy all software but this has yet to be linked to a more sophisticated licence management tool to reduce the risk of human error. There is, however, a plan of work in progress to move to a more automated licence management system.
Important	Security Policies – The IT Security Policy is a work in progress but no formal update has been made since the original audit. However, Fareham Borough Council have employed a new IT Security Officer 2018 who is having a significant input into the updating of the IT Security Policy and other IT Policies.

Audit Title	Market Contract	Overview of Subject: Fareham and Portchester operate street markets for traders to sell goods on a Monday and Wednesday. Administration of these markets has historically been the responsibility of Fareham Borough Council however this has been outsourced since October 2017. The management company keeps a percentage of the income received.
Year of Audit	2018/19	
Type of Work	Opinion Audit - Services and Systems - Other	
Assurance Opinion Given	Limited	
Direction of Travel	No previous opinion	

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
Signed Contract			1	-	-	-	-	-
Compliance with Contract			-	1	-	-	-	-
Food Hygiene Certificates			1	-	-	-	-	-
Health and Safety Certificates			-	1	-	-	-	-
Contract Payments			-	-	-	-	-	-
Income Sources			-	-	-	-	-	-
Collection of income			-	1	-	-	-	-
Right to work			-	1	-	-	-	-
Markets Trader's Data			-	1	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Food Hygiene Certificates - The Market Agreement stipulates that traders who sell food must have a hygiene rating of 3 or above and that the company should undertake checks to verify that appropriate ratings are held. However, no verification of these checks happening had been carried out. A request has since been made to the company who have provided evidence that these checks are being carried out. The FBC Environmental Health team have also carried out their own checks on the ratings held by the relevant traders.
Essential	Signed Contract - The Agreement with the company was signed in October 2017 but has not since been renewed. The contract was originally designed to run for 12 months with a maximum extension of 3 years, at the end of each year the Authority is required to give written notice 3 months prior to the renewal advising that they intend to extend the contract for another 12 months. It was agreed that a written request would be sent to the company in July 2019 so that a valid contract is in place for the remainder of the term.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Compliance with Contract – Market Traders are required to have adequate public liability insurance as well as up to date application forms. There was no evidence that the Authority had confirmed that the company had checked that these documents were available and up to date for all traders. It was agreed that compliance checks would be reinstated.
Important	Health and Safety – Testing established that the Authority had not verified that the company had a Health and Safety Policy and procedure in place and that it is provided to traders to ensure compliance with the legislation. It was agreed checks will be reinstated to ensure compliance with Health and Safety Regulations.
Important	Collection of Income – Checks are not currently undertaken to ensure that income received into the Authority is reflective of the market income taken in by the Service provider. Whilst the current reconciliation checks what the Service provider has paid into the Authority over the course of the month, records of market traders in attendance are not reviewed alongside income received to reconcile the expected returns with the actual income. It was agreed that checks would be incorporated into the inspections carried out on the number of traders in attendance at the market.
Important	Right to Work – No evidence was found that the Authority had confirmed that the company were carrying out checks to ensure that traders were not working illegally. It was agreed that information on the checks being made would be requested by the Head of Environmental Health.
Important	Market Trader's Data – A clause in the agreement with the company enables the Authority to share market information for the purposes of the prevention and detection of fraud including the participation in the annual National Fraud Initiative (NFI) data match. The service was not aware of this clause and therefore did not participate in the data matching exercise since the commencement of the agreement. It was agreed that the Authority will exercise its right to request and use trader's data from the company to be included in the next NFI data upload.

Audit Title	Ferneham Hall	Overview of Subject: A planned audit of Ferneham Hall was carried out in 2017/18 which resulted in an audit assurance opinion of Limited and required extra testing to be carried out. This resulted in two further reports, one related to stock taking processes and the other related to Bar wastage. An audit was therefore included in the plan for 2018/19 to review the progress being made to implement the actions arising. However, it should be noted that the operation of Ferneham Hall is scheduled to change significantly in 2020/21, at which point many of the actions will no longer be needed, so the follow up is put in that context.
Year of Audit	2018/19	
Type of Work	Follow Up	

The 84 actions agreed have been followed up and the status for these was found to be as follows:

Status	Total Actions	Essential	Important
Complete	55	13	42
Nearly complete	5	3	2
In progress	15	8	7
Not Started	4	0	4
No Longer Needed	5	2	3
Total	84	26	58

Overall 70% of the agreed actions were found to have been completed, and further 25% were being progressed. This includes all the 24 essential actions. The actions still being progressed relate to Inventory checks, stockroom control, stock rotation and managerial review of food purchases and wastage.

The 4 actions not started, relate to:

- the absence of financial analyses being produced after each show to establish profitability of the hirers.
- management checks relating to the level of under/overs in the bankings.
- retention and attachment of the redeemed loyalty cards to the complimentary items sheet.

Audit Title	Housing Maintenance (Part 2)	<p>Overview of Subject: The Building Maintenance Service is based at the Council depot and carries out approximately 8,000 responsive repairs for tenants in council housing and to other council properties, each year.</p> <p>An unplanned audit was carried out of the service in 2016/17. A number of issues were found, and an action plan was agreed with the then managers of the service. A meeting to follow up progress of the actions was held in September 2017. The managers then changed during a restructure in April 2018 and the new manager requested further audit testing to be carried out.</p> <p>This audit was therefore scheduled to formally follow up the issues arising from the original work carried out in 2016/17 and to review the impact of the housing department restructure. It also included further testing of areas not completed in the first review; particularly in relation to Ground works and stock control. It also included duplicate invoice testing, especially where contractors also used sub-contractors.</p>
Year of Audit	2018/19	
Type of Work	Wider Work – post investigation systems review	

Implementation of Previous Recommendations

11/28 of the original recommendations were cancelled due to staff and process changes and 14/17 (82%) previous recommendations were found to be fully complete. The remaining 3 recommendations which are in progress relate to providing a briefing on the revised Gifts and Hospitality Policy, which has yet to be launched; the verification of invoices to ensure that they are correct, and the accurate recording in FBC records of materials used against individual jobs.

New Audit Coverage

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Service Charges - Problems were found with the accuracy of the costs being recorded on the IT system which were then being used to recharge to leaseholders. In particular, costs were being missed which should have been recharged. A meeting is being organised with the different teams involved to strengthen the processes going forward. The Council is also considering purchasing a system to make the administration of service charges easier.
Important	Invoice Verification - 2/5 paid invoices tested were found to have arithmetical errors that equated to an over charge to the Council. All 5 invoices included charges in addition to the 10% uplift agreed in the framework agreement. A new contract is being put in place for each contractor which should mitigate the Council being over charged in the future. Invoices will be checked against these individual contracts to ensure charges being invoiced are accurate and agree to the original requested job.
Important	Glazing Supplier Charges - Some glazing companies were found to be making charges in excess or differing to that stipulated in the framework agreements. The charges amounted to a significant amount over the last 2 years. The Head of

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	Service has now spoken to the companies concerned to agree a new charging regime.
Important	Outstanding Jobs - At the time of audit there were approximately 1200 jobs on the management system that had not been closed, many dating back more than 6 months. There is currently no regime to identify jobs on the system which are not being progressed or should have been closed. Testing also showed that 7/17 jobs shown as complete on the system were still considered by the tenant to be partially outstanding; all related to works carried out by contractors. The Housing Policy Officer is currently looking at options for purchasing a new system that will meet more requirements than the current system does. In addition, it has been suggested that a sample of visits to tenants, who have had jobs carried out by contractors, will be undertaken quarterly to ensure that the works have been completed as instructed.
Important	Stock Control - The stores process is still reliant on manually completed requests and no stock takes are undertaken. There is therefore no way of knowing if all movements in stock can be accounted for. It has been agreed that a stocktake would be undertaken and all the items will be added to a spreadsheet to allow it to become an automated store record for future stock checks.

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 weakness 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.