FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **23 September 2019**

Report of: **Deputy Chief Executive Officer**

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 2019/20 AUDIT PLAN

2. Work has commenced on 12/24 of the audits in the current internal audit plan. One of the audits is at **Stage 8** (updated draft report has been received by the in-house team after the exit meeting with the client), 2 are at **Stage 5** (first draft of the report has been received by the Support Officer to be reviewed) and a further six are at **Stage 4** (the auditor has started to deliver the agreed scope of work).

FINALISING PREVIOUS AUDIT PLANS

3. The current status of the 14 audits remaining from the previous Audit Plans is detailed in Appendix One. Two further audits have now been finalised and work has continued on a further four to get these audits to completion, one of which is now at **Stage 9** (draft report issued to the service after exit meeting held).

FINDINGS FROM COMPLETED AUDITS

4. The 2 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
Cloud Based Computing 2018/19	Limited	4	4	-
ICT Follow up	N/A	2	2	4

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

RISK ASSESSMENT

6. There are a few risk considerations in relation to this report, arising from the audit that has only been given limited assurance. Details of the risks are given in Appendix Three.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Results of Planned Assignments 2019/20

Appendix Three - Findings from the Latest Completed Audits

Appendix Four – Reference Tables (with updated changes to audit stages)

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	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
2014/15												
2014/15												
Information Governance Opinion	5	6				-						
Contract Completion	5	10				-						
2015/16												
Land Charges	5	12										
2016/17												
Daedalus Operating Contracts	5	12										
Cloud based Computing (revised audit 2018/19)	10	15	Limited	No prev audit	N	4	4	1	-	-	-	-
Leaseholder Charges	5											
Building Health and Safety Risks	5											
2017/18												
Commercial Estates	5	15										
Risk Inspections of Public Areas	4											
2018/19												
Out of Hours Service	5	12										
Write Offs History Analysis & Interest charges	9											
Housing Options Debtors (EXTRA)	4											
Review of outstanding IT audit recommendations	10	10	N/A	N/A	N	2	2	-	12	16	1	3
Review of all other outstanding audit recommendations	1											

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

APPENDIX TWO

RESULTS OF PLANNED ASSIGNMENTS 2019/20

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
FUNDAMENTAL SYSTEM AUDITS												
Payroll and Employee Expenses	4	15										
Housing Rents	4	15										
Banking	Not Started	5										
Treasury Management	1	10										
SERVICES & SYSTEMS – HIGH RISK												
Tenancy Management	Not Started	15										
Parks and Open Spaces	Not Started	15										
Street Cleansing	1	10										
Property Maintenance – Council Housing Voids	Not Started	15										
Local Plan	4	10										
SERVICES & SYSTEMS – Other												
Safeguarding	8	10										
Planning Advice	Not Started	5										
Land Charges	5	10										
CCTV Control Centre	1	10										
COMPUTER AUDITS												
Fuel System	5	10										
BACS processing through Bottomline	Not Started	10										
Recording of Sickness through the HR 21 system	Not Started	10										
FOLLOW UP												
Dog Control	4	8										
Recommendation Follow Up (PCC)	Not Started	15										

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
WIDER WORK												
Annual Testing of Procurement decisions	Not Started											
Contract Management	Not Started											
Disabled Facilities Grants – Grant Certification 2018/19	4											
Deceased Persons List	4											
Assurance on Partnership Governance	Not Started											
Anti-Bribery Policy	Not Started											
Totals												

APPENDIX THREE

Finding from the Latest Completed Audits

Audit Title	**Cloud**
Year of Audit	**2018/19 to replace draft report in 2016/17**
Type of Work	Opinion audit
Assurance Opinion Given	**Limited**
Direction of Travel	No previous audit

Overview of Subject:

Migrating to a primarily Cloud based approach to ICT is a key industry and sector trend. At a high level the benefits are well understood; from an IT perspective much of the 'technical' work involved in commissioning, supporting and maintaining ICT hardware and software moves to third parties, reducing the need to maintain these skills in-house; for the wider organisation Cloud is a transformative technology, improving resilience and enabling more flexible, location independent working.

Fareham are broadly in-line with other councils on the Cloud 'journey'. In line with ICT and sector trends and good practice the Council is in the process of migrating to a primarily cloud-based software and infrastructure portfolio. Email hosting in the Cloud is substantively in place and document storage is in progress. The only core system currently in the Cloud is the income management system but two more systems for Housing and Finance are likely to move to the Cloud as a result of current procurement processes.

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
Strategy/Benefits			2	-	-	-	-	-
Governance			(1 included above)	-	-	-	-	-
Roadmap			(1 included above)	-	1	-	-	-
Roles			-	1	-	-	-	-
Communications			1	-	-	-	-	-
Risk Management			-	1	-	-	-	-
Contracts			1	1	-	-	-	-
ICT Disaster Recover Plans			-	1	-	-	-	-

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)	
Essential x2	**Strategy Milestones and Road Map** – The Council's Cloud plans are not documented in a 'formal' Strategy but there are documents detailing high-level intentions and priorities supported by detailed infrastructure analyses and some indicative costings. However, this could be strengthened by developing a phased five-year plan of key milestones which enables progress to be managed, supported by a five-year financial plan, covering both costs (developing as these are better understood) and potential savings. The finance business partner should be integral to the development of the costs (including knock on costs) and saving projections.
Essential	**Communication with Services –** Service areas do not have a clear understanding of what Cloud is, specifically 'intentions, timescales, benefits and expectations' and when these are likely to come into effect, both in relation to corporate systems and in relation to core systems used by specific services. A number of actions have been agreed on how to engage with the services including developing plans and timescales for the core service applications.
Essential	**Contract with Income Management system provider –** A number of issues were identified with the current contract documents with the income management system provider and the cloud solution. Further documents need to be requested and a meeting held between IT and the lead service to agree performance expectations and check these for coverage in the agreement.
Important x2	**Clarification of IT and Service Role –** There is not a consistent understanding of 'roles', specifically the division between 'service' and 'technical' responsibilities between all service areas and ICT when moving to cloud solutions. IT need to be fully involved in ensuring that the technical requirements necessary to support service needs are correctly specified in contracts/SLAs (this may require training). As services move to the Cloud, ICT need to continue being involved, for example by attending regular contract meetings with providers and review of performance information, to ensure that providers are held to the level of service specified in contracts/SLAs. This should be introduced now for the Income Management system.
Important	**Consideration of Risks –** Currently only the 14 Cloud Principles checklist from the National Cyber Security Centre (NCSC) are routinely used when considering a cloud-based approach, along with carrying out Data Protection Impact Assessments. It is important that the full breadth of risk linked to moving to a Cloud based approach are considered, including resilience, availably/performance, interoperability and supplier failure, to ensure that appropriate mitigations are in place.
Important	**Disaster Recovery Plan -** Once ICT's role regarding Cloud hosted applications is better understood the IT Disaster Recovery Plan should be updated to reference these accordingly.

Audit Title	ICT Follow up	**Overview of Subject:** This audit covers the follow up of recommendations previously made in relation to ICT systems in previous years. As at 9th April 2019 there were 113 recommendations on the audit recommendation database relating to IT systems across the Council, which were awaiting sign off by internal audit. An audit was therefore added to the 2018/19 audit plan to obtain an updated status for a proportion of these. 32 (2 essential and 30 important) were selected mainly on the basis that they needed specialised computer audit knowledge in order to form an opinion. This represented 30% of the recommendations that need reviewing. 12 of these recommendations had previously been reported by the services as implemented.
Year of Audit	2018/19	
Type of Work	Computer Follow Up	

The recommendations selected cover the following IT services and systems:

Audit	*Year of Audit*	*Report No.*	*Number of Actions Followed Up*
Disaster Recovery	2015/16	1074	5
Document Management	2010/11	885	3
Remote Access	2013/14	994	2
Network Security	2012/13	974	2
Network Security	2014/15	1043	3
Server Virtualisation	2010/11	873	2
ICT Change Control	2011/12	905	3
Tensor System	2016/17	1092	1
Mitel System	2012/13	972	1
Chris 21 System	2014/15	1021	2
E-Financials System	2013/14	1005	3
AIM System	2011/12	921	1
Databox	2008/09	785	1
GIS System	2012/13	973	3

Implementation of Previous Recommendations

The table below summarises the level of implementation found. 12/32 of the original recommendations are fully completed, including both essential recommendations, and all the recommendations relating to network security. A further 16 are no longer required or have been superseded leaving only 3 not started and one in nearly complete. Two of the not started and one superseded had previously been signed off as implemented by the service.

Summary of the Implementation of the Recommendations Tested				
Status	**Essential (💣)**	**Important (▲)**	**Unspecified**	**TOTAL**
Complete	2	10		**12**
No Longer applicable		5		**5**
Nearly Complete		1		**1**
Not Started		3		**3**
Superseded by New recommendations		8		8
No Longer Tracked		3		3
TOTAL	**2**	**30**	**0**	**32**

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
New Essential	**Schedule Regular Disaster Recovery Testing -** Disaster Recovery testing needs to be scheduled for all systems used in service areas, to support specific service functions. As part of rehearsals carried out Recovery Point and Recovery Time objectives should be agreed between IT and service areas. A 5-year rolling programme of testing is currently being introduced.
New Essential	**Accelerate Addressing High Risk Issues Raised by the Penetration Testing** The service is to agree the High-risk issues identified through Third-Party Penetration Testing, and add them to the in-house scanning software to be used monthly to check/track their status, with remedial work carried out as necessary
New Important	**Disaster Recovery – Key Contracts Mobile Phones** The Critical Systems and Lead Contacts' document needs to be expanded to include mobile phone numbers.
New Important	**Use of Documents Retention Reminders on the BPMS System -** The small number of BPMS users (< 10) need to have the retention period reminder functionality highlighted to them and be reminded to use it.
Previous Important	**Document Management (BPMS and HUB): Documented test scripts (not started):** The Document Management system should be considered for inclusion in the IT Disaster Recovery component of the business continuity exercises; if included any test scripts produced should be retained to support future recovery as appropriate.
Previous Important	**Tensor System: Review of Non FBC employees given access to the council offices (not started):** Reports to be developed to extract lists of active ID cards for tenants and Non FBC employees which can be distributed to named officers for review.
Previous Important	**E-Financials System: Define Maximum Data Loss and Time to Recover (not started):** A meeting should be scheduled between the E-Business Manager and IT, to identify and agree the recovery time and recovery point for the finance system, necessary to meet the Finance Team and Council's needs.
Previous Important	**GIS System: Restrict Access to Desktop Version (nearly complete):** Usage of the desktop system has been reduced by 60%, with further reductions in usage planned. A detailed tracking spreadsheet is being maintained.

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 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 issued.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	A first draft of the report has been received by the Support Officer to be reviewed.
Stage 6	Any additional testing identified has been completed.
Stage 7	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
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.