

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 23 November 2020

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 consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include:*
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.*
- d) to receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.*

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance 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 2020/21 AUDIT PLAN

2. There has been one change to the 2020/21 plan in that we have now had confirmation that no certification work is required for the Disabled Facilities Grants this year so this audit can be removed from the plan. We are therefore planning to deliver one of the reserve audits instead.
3. Work has commenced on 18 of the 19 remaining audits in the current internal audit plan, as noted in Appendix Two, such that 7 of the audits are at Stage 4 (the auditor has started to deliver the agreed scope of work) and 5 are at Stage 5 (A first draft of the report has been received by the Support Officer to be reviewed).

FINALISING PREVIOUS AUDIT PLANS

4. The 9 remaining audits from the previous Audit Plans are detailed in Appendix One. Considerable work has been carried out to progress 2 audits (Risk Inspections and Recording of Sickness through HR 21) which should have reached the final stage by the date of the meeting.

FINDINGS FROM COMPLETED AUDITS

5. There are no additional final reports that have been issued since the last report.:

RISK ASSESSMENT

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

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2020/21 Plan

Appendix Three – Findings from the Latest Completed Audits (None)

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 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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 19 October 2020 on the Internal Audit Plan 2020/21

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*	Original Days in Plan	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	Audit relying on completion of other Audit Work – Targeted for July 2021 This audit will be able to be closed down once the review of all outstanding audit recommendations is commenced and the extract relating to ICT audit recommendations can be produced to feed into the final summary. As this will now be delayed until the 2021/22 plan it is unlikely that we can complete this report until next July.
2016/17			
Daedalus Operating Contracts (Opinion audit)	5	12	Proposed Audit for 2020/21 to supersede this audit The draft audit report in 2016/17 generally gave strong assurance in relation to these contracts, although there were a few minor areas of testing that needed finalising and feeding into the report. Some of these have since been picked up by the finance team. In the meantime, the nature of the operations at Daedalus have been expanded, and there have been changes in the FBC officers involved in estate management and financial support. A new audit has been included in the 2020/21 audit plan which will allow this audit to be closed. The work on this audit is in progress.
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources – November - delayed The draft audit report in 2016/17 generally gave strong assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report. It therefore proposed that the additional apprentice resources will be used to refresh the testing and fill in the gaps. However, it has not yet been possible to start this work which will now need to slip to the March Committee.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion – March 2021 The draft audit report in 2017/18 generally gave reasonable assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report, and some inaccuracies needed correcting. In the meantime, some of the issues have been addressed by the Finance Service. It is therefore proposed that a revised draft report is still produced and discussed with the new manager of the service to allow the report to be finalised by the March Committee.
Risk Inspections of Public Areas (Wider piece of work)	4	-	Audit Targeted for Completion – November – still in progress This is a large collaborative piece of work involving the insurance and audit teams which will culminate in a presentation to senior managers. A considerable amount of work has been carried out this year, including in recent months, to bring this work to conclusion and the resulting report and presentation are nearly completed. The team has now refreshed

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
			the analysis to bring it up to date and have booked a meeting in November to report back on their findings and finalise this audit.
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion - March 2021 A considerable amount of work has been carried out on this audit which was fed into the changes proposed to Financial Regulations at the September Committee. There are some parts of the analysis that need completing, which are being progressed, and all the findings discussed at a manager's workshop before this work can be finalised.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion – November - delayed This second draft of this report has now been produced and is just waiting review and discussion with the service to allow the final report to be produced. However, it has not yet been possible to complete this review which will now need to slip to the March Committee.
Review of all other outstanding audit recommendations (Wider piece of work)	1	-	Audit Targeted for Completion – September 2021 Little progress has been made on this large piece of work that has been outstanding for a number of years, although in the meantime some targeted follow up work has commenced and more has been built into the 2020/21 plan. Given the impact on the resources from the pandemic we are now proposed to suspend this work until 2021/22.
2019/20			
Recording of Sickness through the HR 21 system	6	10	Audit Targeted for Completion – March 2021 – On Target This audit is substantially finished. The extra testing requested has been completed and a revised draft report issued to the support officer for review which should allow this audit to be shortly finalised.

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

APPENDIX TWO

Audits in the 2020/21 Plan

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report date	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
FUNDAMENTAL SYSTEM AUDITS												
Benefits (1204)	1	15										
Income Management (1205)	4	15										
Accounts Receivable (1206)	1	15										
SERVICES & SYSTEMS – HIGH RISK												
Democratic Representation and Management (including members allowances and expenses) (1207)	1	12										
Household Waste Collection (1200)	5	10										
Recycling (1199)	5	8										
Parking Enforcement (1208)	1	10										
Daedalus Operating Contracts (1201)	4	15										
SERVICES & SYSTEMS – Other												
Service Charges and Recharges - Council Tenants (1203)	5	15										
CORPORATE, SPECIALIST GOVERNANCE & RISK (OPINION)												
Construction Industry Tax Scheme (CIS) (1211)	4	5										
COMPUTER AUDITS												
Benefits and Local Tax Computer Systems (1209)	1	15										
Internet and Email access (1210)	1	12										
FOLLOW UP												

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report date	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Cloud (1212)	4	8										
Tenancy Management (1213)	5	5										
Safeguarding (1202)	4	5										
Housing Rents (1214)	5	6										
WIDER WORK												
Social Media Monitoring by Services (1217)	4	-										
Targeted Assistance with recommendation Implementation (1215)	4	-										
Contract Management	Not Started	-										
Disabled Facility Grants – Grant certification 2019/20	Cancelled	-										
Totals		171										
RESERVE AUDITS												
Vehicle Maintenance ordering, invoice management and stock control	Not Started	15										
Car Loans	Not Started	5										
Housing Voids - Follow Up	Not Started	5										
Pre-application advice cost comparison to income	Not Started	5										
Annual Testing of Procurement Decisions	Not Started	-										

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

Findings from the Latest Completed Audits

There are no completed audits for inclusion in this progress report.

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.