

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 27 September 2021

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.
2. The team continues to be impacted by the Covid-19 pandemic causing resources being diverted elsewhere and other activities taking longer to complete. We are also being affected by some loss of resources due to sickness. This means that at the moment delivery of the plans of work is slightly behind schedule.

PROGRESS OF 2021/22 AUDIT PLAN

3. Work has started to deliver the 2021/22, as noted in Appendix Two, such that work has started on 11 of the 23 planned audits including 8 that have reached *Stage 4 - The Auditor has started to deliver the agreed scope of work.*

FINALISING PREVIOUS AUDIT PLANS

4. There were 2 audits bought forward from last year's plan. Both of these audits have reached completion.
5. Updates are given for the 6 remaining audits from the previous Audit Plans as detailed in Appendix One. In particular progress has been made in relation to reviewing the outstanding audit recommendations on the audit database where they relate to the finance team and the implementation of the new finance system.

FINDINGS FROM COMPLETED AUDITS

6. 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
Benefits 2020/21	Strong	-	-	-
Social Media Monitoring by Services 2020/21	N/A	-	2	-

RISK ASSESSMENT

7. 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 2021/22 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 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 19 October 2020 on the Internal Audit Plan 2020/21

Report by the Head of Finance and Audit to the Audit and Governance Committee on 12 July 2021 on the Internal Audit Plan 2021/22

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 – Now Targeted for March 2022 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. This has been delayed until later in the 2021/22 plan.
2016/17			
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources – November 2021 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 was originally proposed that the additional apprentice resources would be used to refresh the testing and fill in the gaps to allow the report to be finalised. However, due to other priorities it has not yet been possible to start this work.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion – Now targeted for November 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 when in post to allow the report to be finalised by the September Committee.
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion – Now targeted for March 2022 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 2020 Committee. There are some parts of the analysis that need completing. Some subsequent testing has been picked up in the 2020/21 audit of Account Receivable. We have also started to discuss the results with managers and improve on some processes. This will also be picked up in the implementation of the new finance system.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion – Now targeted for November 2021 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. Some interim discussions are now planned.
Review of all other outstanding audit recommendations	1	-	Audit Targeted for Completion – March 2022

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
(Wider piece of work)			There has been some progress on this project following the work carried out in 2020/21. We are also targeting 2 large groups of recommendations as part of planned work in 2021/22 (finance team's recommendations and vehicle purchasing). Work on the finance team recommendations is also underway and is being delivered alongside the review of the new financial system.
2020/21			
Benefits	10	15	Audit is now Complete
Social Media Monitoring by Services	10	-	Audit is now Complete

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

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	New Recommendations			Previous Recs. (E and I only)			
						Errors Found? Y/N	Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Sheltered housing safe spot checks	Not Started		-	-	-	-	-	-	-	-	-	-
Pre-application advice cost comparison to income	Not Started											

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

APPENDIX FOUR

Findings from the Latest Completed Audits

Audit Title	Benefits	<p>Overview of Subject: The Benefits section assess new benefit claims, including changes in circumstances and amendments for current claimants. Housing Benefit claims are paid fortnightly in arrears and Local Council Tax Reduction and Second Adult Rebate is applied to their Council Tax account. There are approximately 3,100 live Housing Benefit and 4,200 Council Tax reduction claims in payment with an annual value of over £19.5 million.</p> <p>The service is also administering the Test and Trace Support Payment Scheme for claimants on low incomes if they have to self-isolate due to Covid and are unable to work from home.</p>
Report Number	1204	
Year of Audit	2020/21	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	↔ 2017-18	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (▲)	Advisory (ℙ)	Implemented	Cancelled	Not Implemented
Policies and Procedures			-	-	-	-	-	-
Assessment of Claims			-	-	-	-	-	-
Bank Account Changes			-	-	1	-	-	-
Payment Runs			-	-	-	-	-	-
Discretionary Housing Payments			-	-	-	-	-	-
Test and Trace Support Payment Scheme			-	-	-	-	-	-

Audit Title	Social Media Monitoring by Services	<p>Overview of Subject: This audit was carried out to strengthen the assurance that the Authority is complying with RIPA (Regulation of Investigatory Powers Act 2000) regarding its use of Social Media for monitoring or gathering evidence about a suspect(s) for potential cases of prosecution. It involved a series of structured interviews with 10 departments who carry out enforcement and debt collection activity.</p>
Report Number	1217	
Year of Audit	2020/21	
Type of Work	Wider – Cross Cutting	
Assurance Opinion Given	N/A	
Direction of Travel	No Previous Audit	
Errors Found	No	

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
Compliance with the RIPA Policy	🟢	🟡	-	1	-	-	-	-
Awareness of the RIPA Policy	🟢	🟡	-	1	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important x 2	<p>RIPA Policy Compliance and Awareness – Whilst it appeared that there was a high overall compliance with the RIPA policy throughout the Council, awareness levels of the policy content were found to be lower. There was one department where it was deemed appropriate to remind staff of the requirements of the Council's RIPA policy to ensure that they fully understood what they can or cannot do when using social media in the context of their work. It was also agreed that an annual reminder to all staff will be posted on the Council's intranet to maintain awareness of the policy and its implications for individual services.</p>

APPENDIX FIVE

Reference Tables 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.

1. 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.

2. 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.

