

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 07 July 2022

Report of: The Head of Finance and Audit

Subject: HEAD OF AUDIT'S REPORT

SUMMARY

This report is a standard item on the Audit and Governance Committee agenda with the aim of providing Members with the assurances arising from the latest internal audit work. It also gives an update on the progress being made with setting and delivering the audit plans.

RECOMMENDATION

It is RECOMMENDED that the Committee: -

- a) note the progress of the internal audit work; and
- b) approve the interim annual audit plan for 2022/23.

INTRODUCTION

1. This is a new style report which provides the assurances arising from the latest internal audit work and gives an update on the progress being made with setting and delivering the audit plans.

INTERNAL AUDIT PROGRESS

2. The service continues to be affected by some loss of resources due to sickness and the recent retirement of the Senior Audit and Fraud Analyst. Also, additional work arising from the Energy Rebate and Business Grants processes continue to have an impact on the delivery of the Internal Audit Plans. This is mainly affecting the in-house team. Good progress has been made by the partnership team which means we are on schedule to complete the work needed for the Annual Audit Opinion in time for the next meeting.

Progress of the 2021/22 Audit Plan

3. A summary of completion of the 2021/22 audit plan and findings is given in Appendix One.
4. There are still 12 opinion audits in this year's plan. Work has commenced on all of the audits, 10 have been finalised (stage 10) and the scope of work is still being delivered on the remaining 2 (Stage 4).
5. There are also 9 wider pieces of work we still intend to use for this year's opinion, 6 of which have already been finalised and another 3 are in progress.

Finalising Previous Audit Plans

6. There are still 6 outstanding audits from the previous Audit Plans. Progress has continued on finalising the Commercial Estates audit, and this is nearing completion.

Findings from Completed Audits

7. Seven final reports have been issued since the last report as highlighted in the table below. There are no significant findings to highlight.

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Planning Applications – Nitrate Offsetting	Strong	-	-	-
Security and Use of DWP Data Services	Strong	-	2	-
Test and Trace Self Isolation Payments Grant Certification	Reasonable	-	1	-
Revenues System Migration to the Cloud	Not applicable	-	1	-

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Business Rates and Council Tax Refunds Data Matching	Not applicable	-	2	-
Procurement Transaction Testing	Not applicable	-	3	1
Targeted Audit Action follow Up (22 recs)	Not Applicable	-	-	5

AUDIT PLAN 2022/23

8. The Annual Audit Plan provides a mechanism in which the Head of Finance and Audit utilises the available internal audit resources to produce the evidence needed to give an Annual Audit Opinion. The Annual Audit Opinion is a key source of evidence for the Annual Governance Statement.
9. Due to pressures on the team it has not yet been able to pull together and finalise a full plan of work for 2022/23. However, the work to update the Audit Universe, and risk assessment has been completed. This has been used along with horizon scanning and knowledge of local system changes to set an interim plan for the first part of the year as set out in Appendix Two.
10. The proposed plan includes a range of service and types of audit including computer audit, the cyclical audits of fundamental systems and high-risk services.
11. The full plan will be presented at the next meeting and will seek to expand coverage to meet the needs of the Internal Audit Strategy, as attached as Appendix Four, which requires the delivery of 20 pieces of work and coverage of the fundamental systems every 3 years and the high-risk systems every 5 years.

RISK ASSESSMENT

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

Appendices:

Appendix One – Audits in the 2021/22 Plan

Appendix Two – Proposed Audit Plan for 2022/23

Appendix Three – Reference Tables

Appendix Four – Current Internal Audit Strategy (separate attachment)

Background Papers:

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

Reference Papers: None

Enquiries:

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

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Commercial rents and the Covid response	Not Planned		-	-	-	-	-	-	-	-	-	-
Information flow in the Business Rates team	Not Planned		-	-	-	-	-	-	-	-	-	-
Social Media Monitoring by services Follow Up	Not Planned		-	-	-	-	-	-	-	-	-	-
Sheltered housing safe spot checks	4	6	-	-	-	-	-	-	-	-	-	-
Pre-application advice cost comparison to income	Not Planned		-	-	-	-	-	-	-	-	-	-

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

Proposed Interim 2022/23 Audit Plan

Interim Internal Audit Plan 2022/23					
	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
OPINION WORK					
1	Fundamental Systems	Payroll key controls	H-Operational Finance	5	Fundamental system - last opinion given 2019/20. Key control mapping to inform the payroll service review that is currently underway.
2	Fundamental Systems	Finance System Data Analytics	H-Operational Finance	15	Fundamental system and new IT system. Design and implementation of data analytic tests for the new finance system including targeted tests of control changes.
3	Fundamental Systems	Bank Mandate Fraud	H-Operational Finance	2	Review of current controls in place to prevent supplier and payroll bank mandate fraud.
4	Services and Systems - High Risk	Building Control	D-Building Control	N/A	High risk audit - last opinion given 2015/16. To be delivered as part of the Portsmouth CC audit plan as part of the governance agreement.
5	Services and Systems - High Risk	Chargeable Garden Waste collection	S-Refuse Collection	10	High risk audit - no previous audit opinion of major change to a service.
6	Computer - Fundamental System	Microsoft 365	F-ICT Services	10	Computer audit of implementation and controls used for the Microsoft 365 suite.
WIDER WORK					
7	Corporate review	Compliance with the Government Counter Fraud Professional Standard	Cross Cutting	10	Review of the expectations on organisations of the new fraud investigation standard and current levels of compliance.

APPENDIX THREE - 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.