

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 13 March 2023

Report of: Head of Finance and Audit

Subject: HEAD OF AUDIT'S QUARTERLY 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 Audit and Governance Committee: -

- a) notes the progress and findings arising from Internal Audit work; and
- b) approves the proposed full plan for the 2023/24 audit year as set out in Appendix Three.

INTRODUCTION

1. This report 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.
2. The service continues to be affected by some loss of resources due to the loss of a few staff from both audit teams. However, recent recruitment has been successful and we expect to return to full complement at the beginning of May 2023.

PROGRESS OF THE 2022/23 PLAN

3. Due to other priorities and auditee sickness, it has been agreed to postpone the Homelessness audit and the wider piece of work in Anti-Bribery Arrangements until 2023/24. However, the CCTV audit is being carried out as a replacement audit from the reserve list.
4. Work has commenced on 23 (92%) of the 25 audits in the revised internal audit plan, as noted in **Appendix One**, such that 11 of the audits have been finalised, 3 are at Stage 5 (a first draft of the report has been received by the Support Officer to be reviewed) and 8 are at Stage 4 (the Auditor has started to deliver the agreed scope of work).

FINALISING PREVIOUS PLANS

5. There were five outstanding audits from the previous Audit Plans and one audit had been carried forward from last year's plan. Work has now been finalised in respect of the Building Health and Safety Risks audit from the 2016/17 plan.

FINDINGS FROM COMPLETED AUDITS

6. 6 audits have been completed 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
Capital Expenditure and Accounting 2022/3	Strong	-	2	-
Facilities Management 2022/3	Reasonable	-	1	-
Community Centres 2022/3	Reasonable	-	3	-
Finance System Analytics 2022/3	N/A	-	1	-
Contract Management 2022/3	N/A	-	6	-
Building Health and Safety Risks 2016/7	N/A	-	-	-

INTERNAL AUDIT PLAN 2023/24

7. A requirement of Internal Audit Standard 2010 is that *'a risk-based plan is established to determine the priorities of internal audit activity, consistent with the organisation's goals'. 'It must take into account the requirement to produce an annual internal audit opinion and the assurance framework'.*
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. Work has now been completed to bring a full proposed plan of work for 2023/4 to members for approval as set out in **Appendix Three**. The plan has been collated giving consideration to the following:
 - (a) Previous coverage of the whole audit universe for the Council (currently 163 subjects) and the Audit Strategy requirement to cover all fundamental system every 3 years and all High Risk audits every 5 years. (A copy of the Internal Audit Strategy is provided in **Appendix Four**).
 - (b) The Council's Corporate Strategy and key priorities, and internal policy and process changes and initiatives.
 - (c) Initiatives, changes and risks being highlighted through the Risk Management process and Medium-Term Financial Strategy; including projects being delivered through the Opportunities Plan.
 - (d) Governance, fraud or risk issues identified through the year from work carried out by the internal audit or finance teams; including horizon scanning for emerging local or national risks and themes.
 - (e) Trends and outstanding recommendations identified on the audit recommendation database.
 - (f) Consultation with the senior managers of the Council.
10. The following should be noted:
 - a) **Level of Opinion Audit:** There is provision in the plan for 185 days of individual audit opinion work plus time spent by the in-house team to support these audits. This meets the Strategy minimum of 180 days plus one audit (Housing Grants and Home Improvements) will mainly be using additional assurances derived from the Portsmouth City Council Audit Plan.
 - b) **Number of Assignments:** There are 22 discrete pieces of work included in the plan, plus 7 in the reserve list, covering a variety of departments in the Council. There will also be reactive pieces of work completed in the year which will be used to support the Annual Audit Opinion. This meets the Strategy minimum of 20 audits.
 - c) **Type of Audits:** The plan includes the breakdown of the types of audit set out in the Strategy including 5 Fundamental Systems and 5 High Risk Audits. It also includes some coverage of key corporate projects as

required by the CIPFA Statement on the Role of the Chief Internal Auditor. This is being achieved by introducing at least one audit each year to look at capital expenditure.

Also included in a new annual audit of financial analytics, which was piloted last year, to give annual assurance on the activity within the new finance system.

Resourcing the Plan

11. Resources available through the partnership with Portsmouth City Council will be used to deliver the majority of the Opinion work to ensure independence. They will also be used to assist with some of the Wider pieces of work.
12. The rest of the plan will be delivered by a mixture of in-house audit resources and by collaborative working with other teams in the Council.
13. The use of the Reserve list of work will help us to allow some capacity in the team to be reserved for unplanned work and the impact of other governance work identified for the year which do not feature in the plan; including responding to any further government initiative that require a due diligence component (such as the energy rebates). These audits will also be targeted if for some reason some of the planned audits cannot proceed (e.g. a key manager is not available).

RISK ASSESSMENT

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

Appendices:

Appendix One – Audits in the 2022/23 Plan

Appendix Two – Reference Tables

Appendix Three – Proposed full Audit Plan for 2023/24

Appendix Four – Internal Audit Strategy (separate document)

Background Papers:

Head of Audit's quarterly report to the Audit and Governance Committee on 21st November 2022.

Report by the Head of Finance and Audit to the Audit and Governance Committee on 26 September 2022 on the Internal Audit Plan 2022/23

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
COMPUTER – FUNDAMENTAL SYSTEMS												
Corporate Software Suite (1267)	10	10	Strong	No previous audit	November 2022	N	-	1	-	-	-	-
Housing System - Post Implementation Review (1268)	4	15										
CORPORATE, SPECIALIST, GOVERNANCE AND RISK												
Data Sharing Agreements (1269)	4	15										
WIDER WORK												
Compliance with the Government Counter Fraud Professional Standard (1256)	10	-	N/A	N/A	November 2022	N/A	-	3	-	-	-	-
Process Flow for S106 Contributions (1270)	4	-										
Business Rates Refunds - Review of 2021/22 Extracts (1271)	4	-										
Anti-Bribery Arrangements (1272)	Postponed	-										
Contract Management (1273)	10	-	N/A	N/A	March 2023	N/A	-	6	-	-	-	-
NFI - Data Privacy Notices (1274)	10	-	N/A	N/A	November 2022	N/A	-	-	-	-	-	-
Annual Procurement Transaction Testing (1275)	Not started	-										
Targeted Assistance with Recommendation Implementation (1276)	4	-										
Government Grant Certifications (1277)	Non-standard audit - completed	-	N/A	N/A	November 2022	N	-	-	-	-	-	-
Combined Reception (1278)	4	-										
RESERVE AUDITS												

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
Information Flow in the Business Rates Team			-									
CCTV (1261) NEW	4	10										
Social Media Monitoring by Services Follow Up			-									
Pre-Application Advice Cost Comparison to Income			-									
PCI Compliance			-									
Remote Working and Confidentiality			-									

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

APPENDIX TWO - 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.

APPENDIX THREE - Full Internal Audit Plan 2023/24

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	OPINION WORK				
1	Fundamental Systems	Income Management	DCX-Operational Finance, LC-Customer services	15	Fundamental system - last opinion given 2020/21. Some changes with integration to new finance system and implementation of new telephone payment system.
2	Fundamental Systems	Main Accounting System & Budgetary Control	DCX-Operational Finance	15	Fundamental system - last opinion given 2017/18. Major finance system changes and new module introduced
3	Fundamental Systems	Treasury Management	DCX-Technical Finance	12	Fundamental system - last opinion given 2019/20.
4	Fundamental Systems	Vehicle Management invoice management	SS-Transport Repair Depot	15	Fundamental process in high risk service - previous recommendations to close down. New manager and purchasing system in place. Audit postponed from previous years.
5	Fundamental Systems	Benefits	DCX-Benefits	15	Fundamental system - last opinion given 2020/21.
6	Services and Systems - High Risk	Homelessness	DCX-Housing Options	15	High risk audit - last opinion given 2017/18. Unable to complete last year due to key manager absence.
7	Services and Systems - High Risk	Housing Grants and Home Improvement Loans	LC-Environmental Health	5	High risk audit last opinion given 2018/19 although grant certifications given in intervening years. Will be placing reliance on PCC audit plan coverage plus some follow up of previous recommendations and review of the changed Home Improvement Grant arrangements.
8	Services and Systems - High Risk	Leisure Centres	LC-Leisure	12	High risk audit - last opinion given 2017/18. Now combined audit covering both centres.
9	Services and Systems - High Risk	Parking Income	LC-Parking	12	High risk audit - last opinion given 2018/19. To include changes in coastal parking charges.
10	Services and Systems - High Risk	Planning Applications	PG-Development Control	12	High risk audit - last opinion given 2018/19. First Welborne applications expected in 2023/24.
11	Services and Systems - Other	Service Charges - Civic Offices	PG-Asset Management	8	Rolling programme of testing to ensure that the Council is complying with the latest relevant legislation in relation to services charges, and that other recharge processes are robust.
12	Services and Systems - Other	Insurance	DCX-Technical Finance	12	Process with a direct financial cost last audited 2013/14. To review cover and claims handling in preparation for next renewal process.

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
13	Computer - Fundamental System	Local Government Software package	DSS-ICT Services	10	Key IT system used by the Planning, Building Control, Environmental Health and Land Charges services - last opinion given 2003/04.
14	Computer - Key Risk	Security and resilience of Council Networks	DSS-ICT Services	12	Topical theme for cyber security assurance using guidance available from the government and National Cyber Security Centre. Also covering the use of funding provided this year
15	Corporate, Specialist, Governance & Risk	Fareham Live	LC-Leisure & Property Services	15	New rolling programme of testing of key areas of capital spending over £500k in a year
Total Opinion Work				185	
WIDER WORK					
16	Thematic review	Annual Procurement transaction testing	Cross Cutting		Focus of supplier analysis for the year will be responsive repairs and value for money analysis of spending from suppliers on the framework agreement. Includes verification that work paid for was completed and charged at the correct rate.
17	Fundamental Systems	Key Finance System Data Analytics	DCX-Operational Finance		New analysis of fundamental systems (accounts payable and accounts receivable) and new IT system. Second stage implementation of data analytic tests for the new finance system including targeted tests of control changes .
18	Collaborative Project	Accuracy of VAT coding	Cross Cutting		Sample transaction testing to give assurance on accuracy of income and expenditure VAT coding using the new finance system.
19	Counter Fraud - Data Matching	Energy Rebates - data matching of 2022/23 payments	DCX-Revenues		Data Analysis of energy rebates to check for duplicate bank accounts and match to employee bank accounts. Run through the controls and access restrictions in place
20	Corporate, Specialist, Governance & Risk	Anti-Bribery Arrangements	Cross Cutting		Refresh of the Councils Anti-Bribery Policy, risk assessment and action plan, with added internal audit assurances / structured interviews. Audit brought forward from previous audit plans
21	Thematic review	Home working - risk assessments and confidentiality arrangements	Cross Cutting		Cross council review of completeness of home working risk assessments and confidentiality arrangements when working from home. Assurance for the new ways of working project
22	Corporate Assurance Work - FOLLOW UP	Targeted Assistance with Recommendation Implementation	Cross Cutting		To assist services with the implementation of recommendations each year. Subject for 2023/24 likely to be ICT audits to help finalise the information governance opinion

RESERVE WORK IF TIME ALLOWS				
	Opinion Audit	Petty Cash and Floats	Cross Cutting	Last audit opinion given 2010/11. To review the use and security of remaining petty cash and floats- and also review the change of process using journals to post expenditure to the accounts.
	System Design review	Information flow in the Business Rates team	H-Local Tax	Review the flow of incoming information through different channels and how it subsequently reaches the business rates team. Also how the support officer role works. Use of collaborative discussions and interviews.
	Follow up	Social Media Monitoring by services Follow Up	Cross Cutting	Short follow up of the findings in the Social media Monitoring audit
	Finance Strategy assurance	Pre-application advice cost comparison to income	PG-Development Management	Assist service in verifying the costs associated with providing pre-planning application advice compared to the charges made.
	Legal Compliance assurance	PCI Compliance	LC-Corporate	Updated opinion on compliance with Payment card Industry Data security standard
	Services and Systems - High Risk	Vehicle Management	SS-Transport Repair Depot	High risk audit - last opinion given 2018/19.
	Services and Systems - High Risk	Housing Communal services	DCX-Tenancy Management	High risk audit - last opinion given 2018/19.