

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 11 March 2024

Report of: Assistant Director (Finance & ICT)

Subject: HEAD OF INTERNAL AUDIT'S QUARTERLY REPORT AND ANNUAL PLAN

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 2024/25 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.

PROGRESS OF THE 2023/24 AUDIT PLAN

2. Work has commenced on 20 (91%) of the 22 audits in the current internal audit plan, as noted in Appendix One, such that 11 of the audits have been finalised, 7 are at Stage 4 (The Auditor has started to deliver the agreed scope of work) and 1 is at Stage 3 (The Terms of Reference for the Assignment have been issued) and 1 is at Stage 1 (The Audit teams have started drawing up the scope of coverage for the assignment).
3. As part of the restructure of the finance department, a new Chief Internal Auditor, Mark Somerset, will be appointed from the audit partnership from 1st April 2024. The Key Finance System Data Analytics audit from the 2023/24 plan has been postponed until early 2024/25, and to allocate that time from the partnership agreement for the completion of the 2024/25 audit plan. This will also allow the relevant data extracts to be available for testing.

FINALISING PREVIOUS PLANS

4. There are 5 outstanding audits from the previous Audit Plans. Work is continuing to review all outstanding recommendations. The S106 contributions audit has now been completed and work has been undertaken to resolve some previous issues. Going forward there will be quarterly meetings during 2024/25 between the Finance, Planning Strategy and Street Scene teams to discuss new monies received.

FINDINGS FROM COMPLETED AUDITS

5. 8 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
Local Government Software package	Strong	-	-	-
Benefits	Strong	-	-	1
Income Management	Strong	-	-	1
Housing Grants and Home Improvement Loans	Strong	-	-	-
Energy Rebates - data matching of 2022/23 payments	N/A	-	1	-

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Process Flow for S106 Contributions (22/23 audit plan)	N/A	-	5	-
Annual Procurement Transaction Testing	N/A	-	13	1
Home working - Risk Assessments and Confidentiality Arrangements	N/A	-	20	-

6. The inhouse audit team have recently completed a piece of assurance work looking at Home Working in relation to the completeness of employee risk assessments and confidentiality arrangements whilst working at home. Interviews were carried out with a sample of employees and overall working from home was seen as a positive. No issues were found with the adequacy of the management of the home work station assessments which was the main reason for the audit. Other suggestions for improvement of management of home working the arrangements were raised following all the interview work carried out and a corporate action plan has been created which will help inform a wider workforce plan.
7. The data matching of the 35,546 energy rebate payments of £150 made in 2022/23 identified 8 errors in payment, none of which had been declared. The service is now pursuing repayment from the recipient of these payments. Strong assurance is also provided that there was no evidence of internal fraud in relation to these payments which concludes the due diligence on this process.

INTERNAL AUDIT PLAN 2023/24

8. A requirement of Public Sector Internal Audit Standards 2017 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'*.
9. The Annual Audit Plan provides a mechanism in which the Chief Internal Auditor 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.
10. Work has now been completed to bring a full proposed plan of work for 2024/25 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 169 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 including the Chief Executive, Assistant Chief Executive Officer, Director of Housing, Director of Planning and Regeneration and the Director of Neighbourhoods.

11. The following should be noted:

- a) **Level of Opinion Audit:** There is provision in the plan for 190 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.
- b) **Number of Assignments:** There are 22 discrete pieces of work included in the plan, plus 9 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 4 Fundamental Systems and 6 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.

Resourcing the Plan

- 12. 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.
- 13. 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.
- 14. 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. 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

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

Appendices:

Appendix One - Audits in the 2023/24 Plan

Appendix Two – Reference Tables

Appendix Three – Proposed full Audit Plan for 2024/25

Appendix Four – Internal Audit Strategy (separate document)

Background Papers:

Head of Audit's quarterly report to the Audit and Governance Committee on 27th November 2023.

Head of Audit's quarterly report (including 2023/24 Audit Plan) to the Audit and Governance Committee on 13th March 2023.

Reference Papers: None

Enquiries:

For further information on this report please contact Clare Rogers. (Tel: 01329 824691)

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
Home working - risk assessments and confidentiality arrangements (1299)	10		N/A	N/A	March 2024	N	-	20	-	-	-	-
Targeted Assistance with Recommendation Implementation (ICT) (1300)	10	8	N/A	N/A	November 2023	N	-	-	20	10	2	1
RESERVE AUDITS												
Petty Cash and Floats												
Information flow in the Business Rates team												
Social Media Monitoring by services Follow Up												
Pre-application advice cost comparison to income												
PCI Compliance												
Vehicle Management												
Housing Communal services												

* 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 2024/25

	Type	Title	Sponsors	Strategic Risk	Days	Reason for Inclusion in Plan
	OPINION WORK					
1	Fundamental Systems	Accounts Receivable	Assistant Director (Finance & IT)	ED, RI	12	Fundamental system - last opinion given 2020/21.
2	Fundamental Systems	Accounts Payable	Assistant Director (Finance & IT)	ED, RI	12	Fundamental system - last opinion given 2021/22.
3	Fundamental Systems	Local Tax Collection	Assistant Director (Finance & IT)	RI, ED	12	Fundamental system - last opinion given 2021/22.
4	Fundamental Systems	Fixed Assets	Assistant Director (Finance & IT), Head of Asset Management	ED	12	Fundamental system - last opinion given 2021/22.
5	Services and Systems - High Risk	Property Maintenance & Inspections - Council Buildings	Director of Housing	SH	10	High risk area has not been fully reviewed since 2017/18
6	Services and Systems - High Risk	Planned Property Maintenance	Director of Housing, Property Manager (Housing)	HC, SH, RI	15	New high risk area identified.
7	Services and Systems - High Risk	Housing Communal Services	Director of Housing, Head of Housing	HC, SH, RI	10	High risk area, last opinion given in 2018/19.
8	Services and Systems - High Risk	Housing Delivery & Enabling	Director of Housing	HC, RI	10	New high-risk area, has not been previously reviewed. High level of capital expenditure.
9	Services and Systems - High Risk	Street Cleansing	Director of Neighbourhoods, Head of Streetscene	SH	10	High risk audit - last opinion given 2019/20.
10	Services and Systems - High Risk	Parking Strategy (Capital Spend)	Director of Neighbourhoods	ED, EN	10	High risk audit - last opinion given 2019/20. Increase in capital expenditure and new town centre parking strategy. Focus on the demolition and reprofiling of town centre car parks

APPENDIX THREE - Full Internal Audit Plan 2024/25

Type	Title	Sponsors	Strategic Risk	Days	Reason for Inclusion in Plan	
Opinion Work						
11	Services and Systems - Other	Private Sector Housing (Enforcement)	Director of Neighbourhoods, Head of Environmental Health	SH, RI	12	Area has not previously been audited
12	Computer - Fundamental System	Homelessness, Prevention and Advice Workflow Management System	Assistant Director (Finance & IT), Director of Housing	HC, RI	10	Cyclical coverage of key IT systems
13	Computer - Key Risk	ICT Business Continuity	Assistant Director (Finance & IT)	RI	15	Last audit opinion given in 2015/16, high risk area within IT
14	Corporate, Specialist, Governance & Risk	Environmental Health Partnership	Director of Neighbourhoods, Head of Environmental Health	SH, RI	10	High spend area which has not previously been reviewed as a separate audit
15	Corporate, Specialist, Governance & Risk	Fareham Shopping Centre	Director of Planning and Regeneration	ED	10	New area, large acquisition during 2023/24
16	Corporate, Specialist, Governance & Risk	Corporate Governance	Chief Executive	HC, ED, EN, LE, SH, RI	10	To review the Authority's compliance with the Local Code of Corporate Governance
17	Corporate, Specialist, Governance & Risk	Freedom of Information	Assistant Director (Democracy)	RI	10	No previous audit opinion
Total Opinion Work					190	

APPENDIX THREE - Full Internal Audit Plan 2024/25

Type	Title	Sponsors	Strategic Risk	Days	Reason for Inclusion in Plan
WIDER WORK					
18	Thematic review	Annual Procurement transaction testing	Cross Cutting		Annual interviews held with services to review their knowledge of spend in their area and compliance with the Procurement and Contract Procedure Rules.
19	Fundamental Systems	Key Finance System Data Analytics	Assistant Director (Finance & IT)		Deferred from 23/24 Audit Plan., 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.
20	Grants	Grant Certification	Cross Cutting		Certification of grants that require assurances from the Chief Internal Auditor
21	Counter Fraud Data Matching	NFI Data Privacy Notices	Cross Cutting		Biennial requirement required for the National Fraud Initiative declarations for 2024/25
22	Corporate Assurance Work - FOLLOW UP	Targeted Assistance with Recommendation Implementation	Cross Cutting		To assist services with implementation recommendations each year.
RESERVE WORK IF TIME ALLOWS					
	Computer	Printing	Assistant Director (Finance & IT)	RI	Last reviewed in 2007/08. Focus on cost control and invoicing of major printing jobs.
	Services and Systems - High Risk	Housing Advice & Register	Director of Housing	HC, SH, RI	High risk audit, last opinion given in 2010/11.
	Corporate, Specialist, Governance & Risk	Project Management incl. Opportunities Plan	Assistant Director (Democracy), Assistant Director Finance & IT	HC, ED, EN, LE, SH, RI	Opportunities plan not yet audited, key area in the realisation of the corporate strategy
	Services and Systems - Other	Welborne Delivery	Director of Planning and Regeneration	ED, HC, EN, LE	Key project for the Authority

APPENDIX THREE - Full Internal Audit Plan 2024/25

Type	Title	Sponsors	Strategic Risk	Days	Reason for Inclusion in Plan
Services and Systems - Other	Purchase Cards	Assistant Director (Finance & IT)	RI		Last opinion given in 2014/15, increase in use
Computer	Telecommunications	Assistant Director (Finance & ICT)	RI		Introduction and controls over bring your own device policy
Corporate, Specialist, Governance & Risk	Consultants	Deputy Chief Executive	HC, ED, EN, LE, SH, RI		Never previously audited. HMRC compliance and control of expenditure
Corporate, Specialist, Governance & Risk	Audit Committee Governance	Assistant Director (Democracy)	RI		Review compliance with the 2022 CIPFA guidance on audit committees. Request by the Chairman
Computer	Finance System income interfaces	Assistant Director (Finance & IT)	RI		To provide assurances over the interface and reconciliation of the income payment methods into the finance system

Corporate Strategy Priorities	Code for Audit Plan
Provide Housing Choices	HC
Respond to Climate Change and Protect the Environment	EN
Strong, Safe and Healthy Communities	SH
Promote Economic Development	ED
Leisure Opportunities for Wellbeing and Fun	LE
Responsive, Inclusive and Innovative Council	RI