

Fareham Borough Council
Audit & Governance Committee
Quarterly Audit Progress Report
November 2013

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This report has been prepared on the basis of the limitations set out on page 13.

INTRODUCTION AND BACKGROUND

- 1.1 This report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. This report highlights the progress made to date for delivery of the 2013/14 Internal Audit Plan and the progress made in finalising the 2012/13 Plan.

PROMOTING INTERNAL CONTROL

- 2.1 To promote internal control within the Authority, Internal Audit will report to Committee in the following format:
- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
 - Report back on the specific audits finalised since the last meeting of the Audit & Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Four of this report; and
 - Update Members on the current situation regarding limited assurance areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

2012/13 & 2013/14 PROGRESS

- 3.1 The current status of the agreed 2012/13 remaining Internal Audit Plan to be delivered is detailed in Annex One along with the number of days delivered. The corresponding information relating to the 2013/14 Internal Audit Plan is detailed within Annex Two. Audits have been completed in accordance with the timings agreed with the Head of Audit & Assurance, and as approved by the Audit & Governance Committee.
- 3.2 As at the 31st October 2013, progress against the 2012/13 plan is as follows:

2012/13 Plan	Last Committee	This Committee
Number of audits in plan	30*	30*
Number of audits finalised	29 (97%)	29 (97%)
Number of reports issued at draft	0 (0%)	0 (0%)
Number of audits commenced	30* (100%)	30* (100%)
Number of planned audit days delivered	229/230 (99%)	229/230 (99%)

* Statistics have been calculated on 30 audits as Misc. Democratic Services has been deferred following management request.

3.3 At the time of this report, 99% of the 2012/13 Internal Audit Plan has been completed. Detailed progress is covered within Annex One. The one remaining internal audit of 2012/13, Legal Services Contract, is currently under management review, details of which will be reported in full to the next Audit & Governance Committee.

3.4 As at the 31st October 2013, progress against the 2013/14 plan is as follows:

2013/14 Plan	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	3 (10%)	7 (23%)
Number of reports issued at draft	2 (7%)	2 (7%)
Number of audits commenced	9 (29%)	12 (39%)
Number of planned audit days delivered	60.5/230 (26%)	95/230 (41%)

3.5 At the time of this report, 41% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex Two.

CHANGES TO THE PLAN

4.1 There are no further changes to report in respect of the 2013/14 Internal Audit Plan since last advised to the Committee.

DETAILED PROGRESS SINCE THE LAST AUDIT AND GOVERNANCE COMMITTEE

5.1 Since the previous Audit & Governance Committee, two reports have been issued at draft stage from the 2013/14 plan; these relate to Licensing of Taxis & Alcohol and Ferneham Hall. The Committee should note that as a result of the significant improvements and progress made in implementing previous recommendations, the Ferneham Hall assurance opinion will be moving up from Limited Assurance. The actual assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation.

5.2 Four reports have been issued in final version as listed below with the opinions given and level of recommendations made:

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
2013/14 Plan				
Management of Tradesmen	Reasonable	-	1	-
Public Conveniences	Reasonable	-	1	-
Website Management Content	Reasonable	-	1	1
Insurance	Reasonable	-	2	1

The above presents the key highlights. However, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three.

Remaining 2012/13 Internal Audit Plan as at 31st October 2013

Annex One

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 4											
24	Miscellaneous Democratic	-	-	Note 1	TBC	-	-	-	-	-	-
25	Legal Services Contract	8	7.5	Under review	TBC	-	-	-	-	-	-

Note 1: The audit has been postponed until Quarter 4 of the 2013/14 financial year as requested by the Manager and previously reported to the Audit & Governance Committee.


No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 1											
1	Management of Tradesmen	7	7	Final	Reasonable	-	1	1	1	1	-
2	Town Centre Management	7	7	Final	Strong	-	-	1	-	-	-
3	Coastal Protection & Land Drainage	6	6	Final	Strong	-	1	-	-	-	-
4	Leisure Centre Trust	6	6	Final	Strong	-	-	3	-	-	-
Quarter 2											
5	Treasury Management	6	0.25	Q3 audit							
6	Insurance	5	5	Final	Reasonable		2	2	3	1	1
7	Planning Contributions	8	7.75	Started							
8	Training & Development	8	7.75	Started							
9	Licensing of Taxis & Alcohol	8	7.75	Draft	TBC						
10	Public Conveniences	6	6	Final	Reasonable	-	1	1	-	-	-
Quarter 3											
11	Ordering & Payment of Invoices	7	0.25	Q3 audit							
12	Invoicing & Collection of Income	9	0.25	Q3 audit							
13	Payroll	7	0.25	Q3 audit							
14	Fixed Assets	6	0.25	Q3 audit							
15	Revenues	12	0.25	Q3 audit							
16	Performance Management		0.25	Note 2							
17	Clean Borough Enforcement & Abandoned Vehicles	7	0.25	Q3 audit							
18	Cash Collection & Banking	9	0.25	Q3 audit							
19	Housing Rents	6	0.25	Q3 audit							
20	Ferneham Hall	9	8	Draft	TBC						
Quarter 4											
21	Risk Management	6	0.25	Q4 audit							

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
22	Main Accounting	10	0.25	Q4 audit							
23	Financial Regulations Limited Compliance Testing	2		Q4 audit							
24	Housing Benefits & Council Tax Benefits	10	5	Started							
25	Planning Applications	6	0.25	Q4 audit							
26	Parking Strategic Management & Policy Services- Off Street Parking	6	0.25	Q4 audit							
27	Homelessness	6	0.25	Q4 audit							
28	Data Protection Follow Up	4		Q4 audit							
Computer Audit											
29	Remote Access	8	0.25	Q2 audit							
30	Main Accounting System (E-Financials) Application Review	7	0.25	Q3 audit							
31	Website Content Management	10	9.5	Final	Reasonable		1	1			1
Other											
Audit Committee		4	2								
Audit Management		12	6								
TOTAL		230	95 (41%)			0 0%	6 35%	9 53%	4 50%	2 25%	2 25%

Note 2: The audit will be postponed until the 2014/15 financial year to allow the new management system to embed.

2013/14 Management of Tradesmen

Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:			N/a – No previous audit coverage in this area			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (☛)	Important (▲)	Advisory (⚠)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-		-	-	-	-
Training and Job Descriptions	-	1	1	-	-	-
Tradesmen Job Allocation, Job Ticket Monitoring and Timesheet Monitoring	-	-	-	1	-	-
Communication and Supervision	-	-	-	-	-	-
Work Inspections	-	-	-	-	-	-
Performance Measures and Reviews	-	-	-	-	1	-
Health and Safety	-	-	-	-	-	-

Weaknesses identified during audit

Priority	Weakness	Action Agreed?
Important (New)	There is no record or document maintained of the training received by each tradesman.	Yes

2013/14 Public Conveniences

Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:			↓ 2000/01			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Contract management arrangements including variations	-	-	1	-	-	-
Compliance with legislation	-	1	-	-	-	-
Maintenance undertaken by Building Services	-	-	-	-	-	-
Control and distribution of Radar keys	-	-	-	-	-	-
Complaints	-	-	-	-	-	-
Internal recharges	-	-	-	-	-	-
Management information	-	-	-	-	-	-
Legionella tests	-	-	-	-	-	-

Weaknesses identified during audit

Priority	Weakness	Action Agreed?
Important (New)	Where relevant, the last asbestos checks were carried out on 5th March 2012, which means that the annual checks were overdue at the time of audit. However, it is not a legislative requirement that these are carried out annually. We subsequently found that checks had been carried out since in July 2013.	Yes

2013/14 Website Content Management

Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:				↔2007/08		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Web site strategy, governance, management and control	-	1	-	-	-	1
Stakeholder engagement in defining requirements for the council's internet \ intranet	-	-	-	-	-	-
Security and support arrangements for CMS environment	-	-	-	-	-	-
Compliance with relevant legislation and guidelines	-	-	-	-	-	-
Training and support for web editors\contributors	-	-	1	-	-	-
Use and efficiency of the CMS	-	-	-	-	-	-
Change control management of content	-	-	-	-	-	-
Customer take up of internet site	-	-	-	-	-	-

Weaknesses identified during audit

Priority	Weakness	Action Agreed?
Important (New)	There are webserver logs reporting visits to the Council's website which can be analysed via the Webtrend software. The reports show graphs and statistics representing the visits to the site and an overview of the website activities. However, there is no regular monitoring of these reports.	Yes
Important (Previous)	The web publishing standards, continuity plans and webmaster guidance notes these need to be updated to take into account the changes to the new site.	Yes

2013/14 Insurance

Audit Opinion and Direction of Travel





Reasonable						
						
Direction of Travel:				↔ 2007/08		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies, procedures and strategy	-		-	2	-	-
Insurance policies detail coverage required and are reviewed annually	-	-	-	-	-	-
Claims recording, approval and liability estimations	-	1	1	-	1	1
Payment of premiums	-	-	-	1	-	-
Contract management and management information	-	1	1	-	-	-

Weaknesses identified during audit




Priority	Weakness	Action Agreed?
Important (New)	The restrictions over internal access to the claims data held on the council's server needed to be reinstated as were not effective at the time of audit.	Yes
Important (New)	Sample testing of six long term contracts found that in two cases no evidence could be found to confirm that the contractor had up to date and adequate insurance coverage in place. A further contractor's insurance had expired prior to the audit.	Yes
Important (Previous)	The situation concerning insurance cover where keys are locked away on the premises needs to be clarified with the Council's insurers and appropriate guidance issued.	Yes

Summary of Assurance Opinions Used

Annex Four

Assurance Level	Symbol	Description
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.

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council's action management system:

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 Audit Committee and implementation of proposed actions are monitored.
Important		A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the Audit 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. We will not track actions taken to address these recommendations unless at the manager's request.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

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