



FAREHAM
BOROUGH COUNCIL

Fareham Borough Council
Audit & Governance Committee
Quarterly Audit Progress Report

March 2014

This report has been prepared on the basis of the limitations set out on page 18.

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1. 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.

2. 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 areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

3. 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 21st February 2014, 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%)	30 (100%)
Number of reports issued at draft	0 (0%)	0 (0%)
Number of audits in progress	1 (3%)	0 (0%)
Number of planned audit days delivered	229/230 (99%)	230/230 (100%)

* Statistics have been calculated on 30 audits as the Misc. Democratic Services audit was deferred to 2013/14 following management request.

- 3.3 At the time of this report, 100% of the 2012/13 Internal Audit Plan has been completed. Detailed progress is covered within Annex One.
- 3.4 As at the 21st February 2014, 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	7 (23%)	14 (45%)
Number of reports issued at draft	2 (6%)	2 (6%)
Number of audits in progress	3 (10%)	6 (19%)
Number of planned audit days delivered	95/230 (41%)	171.25/230 (75%)

3.5 At the time of this report, 75% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex Two.

4. Changes to the plan

4.1 None to report since the last Audit and Governance Committee.

5. Detailed progress since the last Audit and Governance Committee

5.1 Since the previous Audit & Governance Committee, one further report from the audit of Revenues has been issued at draft stage from the 2013/14 plan. The assurance level will be confirmed to the next Audit and Governance Committee upon finalisation. The Ferneham Hall is still at draft stage but it is hoped it will be finalised by the date of the Committee.

5.2 Eight further 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
2012/13 Plan				
Legal Services Contract	Reasonable	-	2	-
2013/14 Plan				
Payroll	Strong	-	-	1
Cash Collection and Banking	Strong	-	-	1 (Service action)
Licensing of Alcohol and Taxis	Strong	-	1	1
Housing Rents	Strong	-	1	1
Fixed Assets	Strong	-	1	-
e-Financials IT System	Reasonable	-	2	-
Remote Access, Third Party Access and Mobile Working	Reasonable	-	5	-

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 21st February 2014

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	5	-	Note 1							
25	Legal Services Contract	8	8	Final	Reasonable	-	2	-	1	-	-

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.

2013/14 Internal Audit Plan as at 21st February 2014

Annex Two

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	5	Started							
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	8	Final	Strong	-	1	2	6	5	1
10	Public Conveniences	6	6	Final	Reasonable	-	1	1	-	-	-
Quarter 3											
11	Ordering & Payment of Invoices	7	5	Started							
12	Invoicing & Collection of Income	9	0.25	Q4 audit							
13	Payroll	7	7	Final	Strong	-	-	-	1	-	1
14	Fixed Assets	6	6	Final	Strong	-	1	-	-	-	-
15	Revenues	12	11	Draft							
	Performance Management			Note 2							
16	Clean Borough Enforcement & Abandoned Vehicles	7	0.25	Q4 audit							
17	Cash Collection & Banking	9	9	Final	Strong	-	-	4	-	-	1
18	Housing Rents	6	6	Final	Strong	-	1	-	4	-	1
19	Ferneham Hall	9	9	Draft		-	-				
Quarter 4											

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
20	Risk Management	6	0.25	Q4 audit							
21	Main Accounting	10	0.25	Q4 audit							
22	Financial Regulations Limited Compliance Testing	2	1	Q4 audit							
24	Housing Benefits & Council Tax Benefits	10	9	Started							
25	Planning Applications	6	5	Started							
26	Off-street Parking	6	0.25	Q4 audit							
27	Homelessness	6	0.25	Q4 audit							
28	Data Protection Follow Up	4	0.25	Q4 audit							
Computer Audit											
29	Remote Access	8	7	Final	Reasonable	-	5	1	1	-	-
30	Main Accounting System (E-Financials) IT System	7	7	Final	Reasonable	-	2	3	-	-	-
31	Website Content Management	10	10	Final	Reasonable	-	1	1	-	-	1
Other											
Audit Committee		4	3								
Audit Management		12	9								
TOTAL		230	171.25 (75%)			0 0%	16 46%	19 54%	16 55%	7 24%	6 21%


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

Summary of Findings from Completed Audits

Annex Three

2012/13 Legal Services Contract

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
Governance and Planning	-	-	-	-	-	-
Contract Administration (Instructing, payment and budgetary control)	-	-	-	-	-	-
Measuring Performance	-	1	-	-	-	-
Value for Money (Benchmarking)	-	-	-	-	-	-
Contract Performance Monitoring, Management Reporting and Performance Management	-	1	-	1	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	Appropriate performance metrics, such as progress on debt recovery and enforcement cases, and the monitoring of open cases yet to be developed.	Yes
Important (New)	The overall performance of the contract is not monitored and reported internally to relevant stakeholders against the original benefits realisation plan.	Yes

2013/14 Payroll

Audit Opinion and Direction of Travel


Strong						
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Direction of Travel:				↑ 2012/13		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and procedures	-	-	-	-	-	-
Security of, and access to, IT systems	-	-	-	-	-	-
Integrity and reliability of data	-	-	-	-	-	-
Segregation of duties	-	-	-	-	-	-
Starters, including pre-employment screening	-	-	-	1	-	-
Leavers and Transfers	-	-	-	-	-	-
Variations	-	-	-	-	-	-
Statutory and Voluntary Deductions	-	-	-	-	-	-
Overpayments	-	-	-	-	-	-
Management information	-	-	-	-	-	1

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (Existing)	An establishment list is not drawn up on a regular basis and sent to senior managers and directors for them to verify that the establishment list is correct for staff within each service and directorate. Reliance is placed instead on the checks carried out by Accountancy staff.	Yes

2013/14 Cash Collection and Banking

Audit Opinion and Direction of Travel


Strong						
						
Direction of Travel:				↑ 2012/13		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🚨)	Important (▲)	Advisory (ℹ️)	Implemented	Cancelled	Non Implemented
Policies, procedures and legislation	-	-	-	-	-	1
Cash transactions and records	-	-	-	-	-	-
Cash collection	-	-	2	-	-	-
Cash payments	-	-	1	-	-	-
Cash holdings	-	-	As above	-	-	-
Banking	-	-	1	-	-	-
Management reporting	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (Existing Service Action Plan)	The Council's assessment of compliance with the payment card industry data security standard is not yet fully complete. We are currently awaiting a report from an external company who have carried out a Gap Analysis and vulnerability scan to identify any issues remaining.	Yes

2013/14 Licensing of Taxis and Alcohol

Audit Opinion and Direction of Travel

Strong						
						
Direction of Travel:			↑ 2008/09			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Partnership arrangements with Gosport BC	-	-	1	-	-	-
Policies, procedures and publicly available information	-	-	1	2	-	-
Setting of fees and charges	-	-	-	-	-	-
Processing of applications and issuing of licences for premises, personal licences and Temporary Event Notices (TENS)	-	-	-	2	1	-
Processing of applications and issuing of licences for vehicles, operators and drivers	-	-	-	-	-	-
Licence renewals and cancellations	-	-	-	-	-	-
Receipt and banking of licence fees	-	-	-	2	4	1
Monitoring arrangements incl. investigation of complaints	-	1	-	-	-	-
Enforcement arrangements	-	-	-	-	-	-
Budget monitoring processes	-	1 (as above)	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	The Officers Group has not yet been established in line with the Agreement and meeting on a quarterly basis to monitor the partnership, including performance and budget monitoring.	Yes

Priority	Weakness	Action Agreed?
Important (Existing)	Periodic reconciliations are not carried out between monies received and licences issued.	No - Risk Accepted

2013/14 Housing Rents

Audit Opinion and Direction of Travel

Strong						
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Direction of Travel:				↑ 2012/13		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Calculation of rents, in line with the Government Rents Formula and targets	-	-	-	-	-	-
Billing	-	-	-	-	-	-
Recording of receipts and allocation of income (including garages)	-	-	-	-	-	-
Reconciliations between Council's properties and rent accounts	-	-	-	-	-	-
Refunds and accounts adjustments, including cancellations and rent free weeks	-	-	-	-	-	-
Accounts in credit	-	-	-	-	-	1
Rent arrears recovery and Write Offs	-	1	-	4	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	Former housing tenants' arrears are not being removed from the Housing Rents system when transferred to the Sundry Debtor system to manage the recovery action. The debts are therefore duplicated on 2 systems.	Yes
Important (Existing)	Accounts in credit reports are not regularly reviewed to identify where balances can be used to offset other debts, cover future liability or create a refund.	Yes

2013/14 Fixed Assets

Audit Opinion and Direction of Travel


Strong						
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Direction of Travel:			↔ 2009/10			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policy and procedures including regulatory and organisational requirements	-	1	-	-	-	-
Maintenance of asset register	-	-	-	-	-	-
Acquisitions and enhancements	-	-	-	-	-	-
Asset usage and running costs	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals and write off	-	-	-	-	-	-
Capital charges	-	-	-	-	-	-
Technology Forge IT System	-	-	-	-	-	-
Financial and performance management reporting	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	The current Asset Management Plan is for 2007-2012 and so needs to be updated.	Yes

2013/14 eFinancials IT System

Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:			↔ 2005/06			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Access Controls	-	-	-	-	-	-
Data integrity following upgrade	-	-	-	-	-	-
Interface controls	-	-	-	-	-	-
Management trail covering key areas of access	-	-	1	-	-	-
System administration controls	-	-	2	-	-	-
Backup and recovery	-	2	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	Test restores have not been run to confirm that the backup process is effective.	Yes
Important (New)	The Disaster Recovery Plan does not specify what the Recovery Time or Recovery Point Objectives are in relation to the server used for the eFinancials system.	Yes

2013/14 Remote Access, Third Party Access and Mobile Working

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:			↔2005/06			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Remote Access Policies and Procedures	-	2	-	1	-	-
Remote Access Risk Assessment	-	1	-	-	-	-
Remote Access Change Control	-	-	-	-	-	-
Access Control	-	-	-	-	-	-
Logical/Physical Security of Mobile Devices	-	-	-	-	-	-
Monitoring and Compliance of Remote Access	-	1	-	-	-	-
Transfer of Data to Mobile Devices / ActiveSync	-	1	-	-	-	-
Incident Management	-	-	1	-	-	-


Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important (New)	It was not possible to confirm that two policies in place at the Council, the Homeworking Policy and the Remote Working Security Policy, had been approved by senior managers and periodically reviewed and updated.	Yes
Important (New)	While employees are required to read and agree with nine compliance documents available on the Council's intranet (including an IT security policy), there is no defined policy owner or leader for these documents or evidence that they have been approved by senior managers.	No - Risk Accepted
Important (New)	While a corporate risk register exists and is maintained, risks pertaining to remote working are not included on any form of risk register and may not have been properly assessed.	Yes

Priority	Weakness	Action Agreed?
Important (New)	Logs recording remote access connections to the Councils network are maintained but are not proactively monitored to identify any unauthorised activity by remote users including third parties.	No - Risk Accepted
Important (New)	While the security settings enforced on mobile devices are broadly in line with Microsoft's good practice standards, it was identified that devices which do not fully support the enforced security settings are being able to access the Council's network to synchronise emails and calendars.	Yes

2013/14 Ferneham Hall

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:			↑2012/13			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Income - Tickets for shows and events (box office, online, post)	-	-	1	-	1	1
Income – Bar	-	-	1	-	-	-
Income – other sales (ice creams, merchandise)	-	-	-	-	-	-
Refunds and Complimentary Tickets	-	-	-	1	2	-
Vending Machines	-	-	1	-	-	-
Cash-up, Cash security and Banking	-	-	1	1	-	1
Petty Cash and Floats	-	-	-	-	-	-
Equipment control	-	-	-	4	-	-
Internal and External Hiring	-	-	-	3	-	-
Contracting and Procurement	-	-	-	1	1	-
Expenditure Control	-	-	-	1	-	-





Weaknesses identified during audit

Priority	Weakness	Action Agreed?
Important (Existing)	There is currently no CCTV provision in the building.	Yes
Important	The password controls built into the Databox system are weak in that any password can be used and there is no periodic	Yes




Priority	Weakness	Action Agreed?
(Existing)	requirement for it to be changed. There have been some discussions with the supplier on this matter but no improvements have been achieved.	

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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

March 2014

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