



Fareham Borough Council
Audit & Governance Committee
Quarterly Audit Progress Report

October 2014

This report has been prepared on the basis of the limitations set out on page 10.

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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 and 2014/15 Internal Audit Plans.

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 Three 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. 2013/14 & 2014/15 Progress

- 3.1 The current status of the agreed 2013/14 and the 2014/15 Internal Audit Plans is detailed in Annex One and Annex Two, respectively, along with the number of days delivered. 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 31st October 2014, progress against the 2013/14 plan is as follows. Detailed progress is covered within Annex One.

2013/14 Plan	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	29 (94%)	30 (97%)
Number of reports issued at draft	2 (6%)	1 (3%)
Number of audits commenced	N/A	N/A
Number of planned audit days delivered	234.5/235 (99.8%)	235/235 (100%)

3.4 As at 31st October, progress against the 2014/15 plan is as follows:

2014/15 Plan	Last Committee	This Committee
Number of audits in plan	6	19
Number of audits finalised	0 (0%)	0 (0%)
Number of reports issued at draft	0 (0%)	2 (13%)
Number of audits commenced	3 (50%)	8 (50%)
Number of planned audit days delivered	9.4/59 (15.9%)	25.9/223 (11.6%)

3.5 At the time of this report, 11.6% of the allocated days from the 2014/15 Internal Audit Plan has been completed. Detailed progress is covered within Annex Two.

4. Changes to the 2014/15 plan

4.1 An additional day has been added to the planned time as last reported to Committee for the Foreshore and Beach Huts audit, and two days to the Tenancy Management audit to allow adequate time for additional testing requested by the Head of Audit and Assurance.

4.2 Since the last Committee, a further thirteen audits have been added using 130 days of the planned audit time. Eight of these are covering the fundamental systems using a slight change of approach, discussed with the external auditors, in which coverage will be more cyclical. This has freed up time to do a more significant audit of the benefits system which has progressed sufficiently with its intervention to now warrant audit coverage.

4.3 Work is still progressing on allocating the remaining 35 days in the 2014/15 plan.

5. Detailed progress since the last Audit and Governance Committee

5.1 Since the previous Audit & Governance Committee, two reports are at draft stage from the 2014/15 plan; these relate to Foreshore (Beach Huts) and Legionella and Gas Safety Risks Follow up. The assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation.

5.2 One report has 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				
Financial Regulations Limited Compliance Testing	Not relevant for this work (see Page 5 Note 3)	-	-	-

2013/14 Internal Audit Plan as at 31st October 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 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	6	Final	Strong	-	-	-	-	-	-
6	Insurance	5	5	Final	Reasonable	-	1	2	3	1	-
7	Planning Contributions and Community Infrastructure Levy	8	8	Final	Reasonable	-	1	1	-	-	1
8	Training & Development	8	8	Final	Reasonable	-	1	3	-	-	-
9	Licensing of Taxis & Alcohol	8	8	Final	Strong	-	1	2	7	5	-
10	Public Conveniences	6	6	Final	Reasonable	-	1	1	-	-	-
Quarter 3											
11	Ordering & Payment of Invoices	7	7	Final	Reasonable	-	2	-	-	-	1
12	Invoicing & Collection of Income	9	9	Final	Reasonable	-	2	1	2	-	2
13	Payroll	7	7	Final	Strong	-	-	-	1	-	1
14	Fixed Assets	6	6	Final	Strong	-	1	-	-	-	-
15	Revenues	12	12	Final	Strong	-	1	1	-	-	1
	Performance Management			Note 1							
16	Clean Borough Enforcement & Abandoned Vehicles	7	7	Final	Reasonable	-	3	2	-	-	-
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	Final	Reasonable	-	-	4	11	4	2

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											
20	Risk Management	6	6	Final	Strong	-	-	2	-	-	-
21	Main Accounting	10	10	Final	Strong	-	-	2	-	-	-
22	Financial Regulations Limited Compliance Testing	2	2	Final	Note 3	-	-	-	-	-	-
23	Miscellaneous Democratic (Note 2)	5	5	Final	Strong	-	2	1	-	-	-
24	Housing Benefits & Council Tax Support	10	10	Final	Strong	-	-	-	-	-	-
25	Planning Applications	6	6	Final	Reasonable	-	1	1	1	4	1
26	Off-street Parking	6	6	Final	Reasonable	-	1	-	-	1	-
27	Homelessness	6	6	Final	Reasonable	1	-	-	1	-	-
28	Data Protection Follow Up	4	4	Draft	Note 4	-	-	-	2	-	6
Computer Audit											
29	Remote Access	8	8	Final	Reasonable	-	5	1	1	-	-
30	Main Accounting System (E-Financials) Application Review	7	7	Final	Reasonable	-	2	3	-	-	-
31	Website Content Management	10	10	Final	Reasonable	-	1	1	-	-	1
Other											
Audit Committee		4	4								
Audit Management		12	12								
TOTAL		235	235 (100%)			1 1.5%	29 43.3%	37 55.2%	34 50%	16 23.5%	18 26.5%

Note 1: The audit was postponed until the 2014/15 financial year to allow the new management system to embed. (Performance Management)

Note 2: The audit had been deferred from 2012/13 to 2013/14. (Audit 23)

Note 3: This work has been completed and issued to the Head of Audit & Assurance (HIA). It forms part of the extended work completed by the in-house Audit team and was included in the HIA's opinion for 2013/14. (Audit 23)

Note 4: Additional time to be used from 2014/15 plan to review some additional control areas and agree a revised action plan. (Audit 28)

2014/15 Internal Audit Plan as at 31st October 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
Quarters 1 and 2											
1	Legionella and Gas Safety Risks Follow Up	5	4	Draft Report							
2	Contract Completion (Final Accounts)	10		Planning							
3	Tenancy Management	10	7.5	Exit meeting							
4	Community Parks and Open Spaces	6	5	Exit meeting							
5	Foreshore (Beach Hut Income)	5	3.8	Draft Report							
Quarters 3 and 4											
6	Benefits	20	0.4	Planning							
7	Payroll (Light Touch)	7		Planning							
8	Accounts Receivable	12		Planning							
9	Cheque Control	6		In Progress							
10	Revenues	12		Scoping							
11	Accounts Payable (Light Touch)	7		Scoping							
12	Income Collection	15		Scoping							
13	Policy Compliance Checks	12		In Progress							
14	Data Protection	5		Scoping							
*	Other audits to be advised	35									
Computer Audit											
15	Payroll & Personnel System (CHRIS 21)	10		Planning							




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
16	Review of Penetration Testing	10		Scoping							
17	Database Administration	8		Scoping							
18	Information Governance Opinion	5		Scoping							
19	IT Recommendation Follow Up	3		Scoping							
Other											
Audit Committee		4	0.5								
Audit Management		16	4.7								
TOTAL		223	25.9 (11.6%)								

Summary of Assurance Opinions Used

Annex Three

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

October 2014

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