

**INTERNAL AUDIT – AUDIT UPDATE**

**SUMMARY:**

This report describes the work carried out by Internal Audit for quarter 1 and the proposed work to be delivered for quarter 2 and 3.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in quarter 1
- ii. Note the update to the expected deliverables for quarter 1 and 2
- iii. Endorse the expected deliverables for quarter 3

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit for quarter 1
- An update of the progress made and any changes required for the expected deliverables for quarter 1 and 2, as approved by the Committee on the 27<sup>th</sup> March 2017
- A schedule of work expected to be delivered in quarter 3.

**2 Resources**

2.1 The resources within the internal audit team are still being finalised following the Audit Manager leaving under MARS. Contractors have been commissioned to carry out some audits within quarter 2, 3 and 4 to assist the internal audit team to ensure that appropriate audit coverage for 2017/18 is provided.

**3 Audit work - Q1 17/18**

3.1 The following audit work has been carried out within quarter 1:

<b>Work</b>	<b>Status</b>
Parking Machine Income	This audit was brought forward from the 16/17 audit plan and finalised in Q1. A <b>reasonable assurance</b> opinion has been given to this area. Findings are detailed within appendix A.

External tenants follow up	A follow up was carried out on the recommendations made for the external tenants audit carried out in 2016/17. The findings from the follow up has changed the assurance opinion within this area from limited assurance to <b>reasonable assurance</b> . 2 recommendations have not yet been implemented. Findings are detailed within appendix A.
Capital programme – Activation Aldershot	This audit was brought forward from the 16/17 audit plan and is on track to be finalised within quarter 1. Details of findings will be reported to the committee at the meeting in September.
Heating payments	This audit was brought forward from the 16/17 audit plan and is on track to be finalised within quarter 1. Details of findings will be reported to the committee at the meeting in September.

3.2 Other deliverables within quarter 1 included:

- The audit opinion – reported to the Committee on the 25th May 2017
- The Public Sector Internal Audit Standards – reported to the Committee on the 25th May 2017

#### 4 Update to audit work for Q1 & Q2

4.1 At the meeting on the 27<sup>th</sup> March 2017, it was agreed that if any changes were required to the agreed deliverables for the quarter, in order to meet changing needs of the organisations, then this would be communicated to the committee along with the reason for the change.

4.2 As at the time of this report, no changes are required to the audits expected to be delivered by quarter 2. The table below details the current status against the audits previously agreed to be delivered.

Audits/follow ups	Status
External tenants follow up	Completed Q1
Capital projects follow up	To be carried out in Q2
Aldershot/Farnborough markets follow up	To be carried out in Q2
Purchase and sale of property and land	To be carried out in Q2
Capital programme and accounting – Activation Aldershot	To be finalised within Q1
Contract letting and tendering	To be carried out in Q2 by the contract auditor
Transparency code	To be carried out in Q2 by the contract auditor
Cyber security	To be carried out in Q2 by the contract auditor

## 5 Expected deliverables for Q3

- 5.1 The work expected to be delivered in quarter 3 is detailed within the table below. The audits have been selected from the high risk areas detailed in Appendix B. As with the previous quarters, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the September meeting.

Service	Audit/ follow up
DMB	HMRC requirements/ taxation requirements
Finance	Financial borrowing
Planning	Planning applications
Community	Parking Machine Income follow up
Finance	FMS and Bank Reconciliation*
Finance	Purchase Ledger*

\*These audits may change to NNDR Billing and Collection or Payroll depending on which order the contractor completes the standard financial audits.

**AUTHOR:** Nikki Hughes, Acting Audit Manager  
01252 398810  
[nikki.hughes@rushmoor.gov.uk](mailto:nikki.hughes@rushmoor.gov.uk)

**HEAD OF SERVICE:** Amanda Fahey

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 27<sup>th</sup> March 2017

<http://www.rushmoor.gov.uk/CHttpHandler.ashx?id=17541&p=0>

## Appendix A

<b>Audit Title</b>	<b>Parking Machine Income</b>	
<b>Year of Audit</b>	2016/17	
<b>Assurance given</b>	<b>Reasonable</b> - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>	
<b>Overview of area</b>	<p>The Parking Machine Income was last audited in 2007/08. Since it was last audited there has been staff changes within the parking team.</p> <p>The Parking Machines are due to be updated in April 2017 as the current machines are 15 years old. The new machines will offer customers different methods to pay for parking tickets.</p> <p>The Parking Machine income for 16/17 as at the end of February 2017 was £341k for on street parking and £973k for off street parking.</p>	
<b>Priority</b>	<b>Key findings</b>	<b>Way forward agreed</b>
Medium	There are discrepancies between the amount of income counted by Contract Security and the amount recorded by the parking machines. However, this is due to machines faults, as they are 15 years old. However, all discrepancies are investigated by the Senior Electrical Engineer.	Due to the age of the current parking machines, the introduction of the new machines should reduce the discrepancies between the amount collected and the amount recorded by the parking machine. The Parking Manager will review these discrepancies to ensure that they are reduced.
Medium	The machine income is securely collected and appropriately banked. However, details for discrepancies between the amount contract security state they have collected and the amount the bank say it has received is not available, making monthly reconciliation difficult. Although it should be noted that the discrepancies are minor (max under by £2 within my sample).	The Parking Manager will look to obtain details of discrepancies between the amount counted by contract security and the amount counted by the bank, so that clearer reconciliations can be carried out.
Medium	A shared agreement is in place with the Leisure Centre for them to invoice the Council with the amount that they have refunded their customers for parking tickets. The Leisure Centre has over charged	The Leisure Centre parking refund reconciliation is a complex and timely manual process and a full monthly reconciliation is limited to the resourcing available and other work priorities. It was therefore agreed that a

	the Council by £355 for December 2016 (only 1 month was reviewed). This is due to full refunds being given when a part refund was actually applicable for the time in which the ticket had been purchased. Ad hoc reconciliations were not correctly carried out by the Parking team. Therefore, this was not identified.	random full monthly reconciliation will be carried out by the Parking team on a quarterly basis and any errors will be highlighted. Furthermore, the Parking Manager will notify the Leisure Centre of any discrepancies.
Medium	Documentation is available to show the agreement in place with the Leisure centre. The agreement does not state that a full refund will be given after a certain time and the parking charges have not been updated to reflect the current charges in force. However, based on the off street parking order it is understood that the Leisure centre gives its users a 40% refund for parking tickets purchased between 8am-6pm and a full refund outside of these hours.	The documented agreement with the Leisure Centre requires updating to correctly reflect what parking refunds are applicable. However, due to the complexity of the parking ticket refund process, for both Rushmoor and the Leisure Centre, consideration should be given by the Head of Community and Environment to offering the Leisure centre a fixed annual amount for the refunds.
Medium	Testing identified that the correct split of income had been applied however, the split of expenditure was incorrectly applied as per the agreement this should have been 24:58 rather than 14:58, which is currently being applied.	The Parking Manager will review the GP surgery agreement and ensure that the correct expenditure ratio is used.
Low	Handwritten procedure notes are available and cover the key areas for parking machine income. However, they would benefit from being electronic, version controlled and review dates recorded to demonstrate that they are up to date.	Electronic procedure notes will be developed by September 2017 by the Parking Manager, once the new parking machines and process are in place.

Priority key	
High priority	A fundamental weakness in the system/area that puts the Authority at risk. To be addressed as a matter of urgency.
Medium priority	A moderate weakness within the system/area that leaves the system/area open to risk.
Low priority	A minor weakness in the system/area or a desirable improvement to the system/area.

<b>Audit Title</b>	<b>External Tenants follow up</b>		
<b>Year of Audit</b>	2017/18		
<b>Assurance given at time of the audit</b>	<b>Limited</b> – <i>Minimal controls designed to achieve the system/ function/ process objectives, are in place. Significant improvements are required if key controls are to be established.</i>		
<b>Assurance given at time of the follow up</b>	<b>Reasonable</b> - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>		
<b>Overview of area</b>	A review of external tenants was carried out in 2016/17, prior to the responsibility being handed over to the Head of IT and Facilities. The review made 11 recommendations, 3 High, 5 Medium and 3 Low. A follow up was carried out to identify the current status of the recommendations agreed.		
<b>Priority</b>	<b>Way forward agreed</b>	<b>Follow up findings</b>	<b>Recommendation status</b>
High	Agreements for FAC and CRC should be finalised	The agreements for FAC and CRC are still being finalised. However, payments are being received from the external tenants.	Not implemented
Medium	A list of current charges agreed for the external tenants should be detailed for a handover to the Head of IT and Facilities.	A list of current charges agreed for the external tenants was not provided to the Head of IT and Facilities prior to the handover. However, the Head of IT and Facilities has established and agreed a new list of charges for the external tenants.	Not implemented/ cancelled as no longer relevant
Medium	One person should be given responsibility for co-ordinating the reviews for the charges and carrying out the negotiation process.	The Head of IT and Facilities is now responsible for co-ordinating the reviews for the charges and carrying out the negotiations.	Implemented
High	Any changes to charges should be clearly documented showing agreement from the external tenant and communicated to Legal Services.	Legal services are involved with the negotiation and changes to the chargers for external tenants. Changes have been clearly documented within the new Hampshire County Council agreement.	Implemented

High	A detailed spreadsheet of payments due for standard regular payments and variable costs should be maintained. Along with any supporting calculations.	A detailed spreadsheet of payments due for standard and variable costs is not maintained. However, this is no longer necessary as the invoices raised are detailed enough to show the date period for the costs and appropriate documentation is held to support the calculations.	Implemented
Medium	The spreadsheet should detail when invoices have been raised/ paid for.	Where possible the invoices have been set up on a periodical invoice, so that they are automatically raised and payment has been received for these. However, for the additional services the invoices have been raised but no payment received at the time of this follow up for 16/17.	Not Implemented
Medium	Details of who collates the information for the variable charges should be held within the spreadsheet along with supporting documentation.	The Systems Administrator is responsible for collating the information for the variable charges. All supporting documentation is held to support calculations.	Implemented
Low	The invoicing periods should be made clear. (financial year or service charge year)	Financial years are used for the invoicing periods for the additional services.	Implemented
Low	A handover date for the responsibility of the external tenants should be agreed.	A handover date for the responsibility of external tenants was not formally agreed. However, it has now been transferred over to the Head of IT and Facilities.	Not implemented/ cancelled as no longer relevant

Medium	Delegation of powers should be agreed as to who can agree the rental levels, service charge level and other variable costs. Ensuring market value as well as a corporate view is taken into account.	The Head of IT and Facilities agrees the rental levels, service charge and other variable costs with the support from the Surveyor to ensure that market values are taken into account.	Implemented
Low	A Project Manager should be in place as the project proceeds.	The Head of IT and Facilities is the Project Manager for this.	Implemented



## RISK UNIVERSE SCORING - JANUARY 2017

	Department	AUDIT AREA	Total risk score	Financial year last audited	Notes
1	Legal	Purchase and Sale of property and land	31	Not audited	Include in 2017/18 plan.
2	Finance	Capital programme and accounting	29	2016/17	Depot was highlighted as a potential capital project to look at - Include in 2017/18 plan. <b>NB: Capital programme is reviewed annually due to high financial spend. Different projects are selected annually.</b>
3	Legal	Contract letting and tendering (Procurement)	28	2012/13	Include in 2017/18 plan.
4	Legal	Transparency code	26	2014/15	Include in 2017/18 plan.
5	IT & Facilities	Cyber security	26	Not audited	Include in 2017/18 plan.
6	DMB	HMRC requirements	25	2015/16	Include in 2017/18 plan. More of a small review following on from the follow up carried out in 16/17.
7	DMB	Taxation and returns	24	2015/16	Carry out in conjunction with item 6 above - Include in 2017/18 plan.

8	Key Financial System - Finance	Benefits overpayments	24	2016/17	This was reviewed in 2017/18 as part of the Benefits audit. The area is currently undergoing improvement so will be revisited as part of the key financial system schedule in 2018/19.
9	Key Financial System - Finance	NNDR billing and collection	24	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
10	Planning	Planning enforcement	24	2015/16	This was recently audited and further work in this area is being taken forward by the Corporate Investigations Officers.
11	Key Financial System - Finance	Sundry debtor recovery	24	2015/16	Include in 2018/19 plan as per schedule for key financial systems.
12	Planning	Planning applications	23	2005/06	Include in 2017/18 plan.
13	Key Financial System - Finance	Council tax billing and collection	23	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
14	Community	Weekly refuse and recycling collection contract	23	Not audited	Include in 2017/18 plan.
15	Key Financial System - Finance	Council tax recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.
16	Key Financial System - Finance	NNDR recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.

17	Community	Aldershot and Farnborough Markets	23	2015/16	A follow up and work in this area is still ongoing from 2016/17 audit review, so this will be included within the 2017/18 plan as a follow up.
18	Community	Car boot sales	23	2015/16	A follow up will be carried out in 2017/18 plan in conjunction with item 17 above.
19	Finance	Financial Borrowing	23	Not audited	Include in 2017/18 plan.
20	Community	Digital advertising boards	22	Not audited	Depends on resources available
21	Democratic & CSU	Constitution	22	Not audited	Depends on resources available
22	Key Financial System - DMB	Payroll/ Pay	22	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
23	Planning	SANGS	22	Not audited	Include in 2017/18 plan.
24	Planning	S106 agreements	21	2010/11	Depends on resources available
25	DMB	External funding applications	21	Not audited	Depends on resources available
26	Community	Grants to organisations	21	2015/16	This area was audited in 2015/16 and a follow up carried out in 2016/17.
27	Environmental Health & Housing	CCTV	21	2013/14	Depends on resources available

28	IT & Facilities	PCI compliance	21	2008/09	Depends on resources available
29	Key Financial System - Finance	Treasury Management	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
30	Key Financial System - Finance	Council tax reliefs, reductions and exemptions	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
31	Key Financial System - Finance	NNDR hardship, reliefs and exemptions	21	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
32	Environmental Health & Housing	Disabled facility grants	21	2011/12	Depends on resources available
33	IT & Facilities	External tenants	21	2016/17	This area was audited in 2016/17. A follow up will be scheduled in 2017/18 plan.
34	Democratic & CSU	Corporate policy/ strategic objectives/ corporate planning	21	Not audited	Depends on resources available
35	Democratic & CSU	Strategic partnerships	21	Not audited	Depends on resources available
36	Community	Car park machine income off street parking	21	2016/17	This area was audited in 2016/17 and a follow up will be scheduled in 2017/18 plan.