

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 2 and the proposed work to be delivered for quarter 3 and 4.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 2
- ii. Note the update to the expected deliverables for quarter 2 and 3
- iii. Endorse the expected deliverables for quarter 4

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit to date for quarter 2
- An update of the progress made and any changes required for the expected deliverables for quarter 2 and 3, as approved by the Committee on the 26th June 2017
- A schedule of work expected to be delivered in quarter 4.

2 Resources

2.1 The resources within the internal audit team currently remain the same as reported at the June meeting. Although, the Audit Manager role has been advertised and contractors continue to be utilised to provide assistance for the delivery of the internal audit plan.

2.2 The resources will further change in quarter 3, as the internal auditor will commence maternity leave. This post will initially be covered through the use of contractors.

3 Audit work – Q2 17/18

3.1 The following audit work has been carried out within quarter 2:

Work	Status
Capital programme – Activation Aldershot	This audit was brought forward from the 16/17 audit plan and finalised in Q2.

	A reasonable assurance opinion has been given to this area. Findings are detailed within appendix A.
Heating payments	This audit was brought forward from the 16/17 audit plan and finalised in Q2. A limited assurance opinion has been given to this area. Findings are detailed within appendix A.
Card Payments	This was an ad hoc audit not originally planned. This was reviewed as a result of a customer complaint received. A reasonable assurance opinion has been given to this area. Findings are detailed within appendix A.
Capital projects follow up	A follow up was carried out on the recommendations made from the Capital projects audit carried out in 2015/16. The findings from the follow up has changed the assurance opinion within this area from limited assurance to reasonable assurance . Findings are detailed within appendix A.
Transparency code	This audit was carried out by the contract auditors as per the schedule of work for quarter 2. A limited assurance opinion has been given to this area. Findings are detailed within appendix A.
Purchase and Sale of Property and Land	This audit is currently being carried out and is on track to be completed within Q2. Details of findings will be communicated to the Committee at the meeting in January 2018.
Contract Letting & tendering	This audit is currently being carried out by the contract auditors. It is currently on track to be completed within Q2. Details of findings will be communicated to the Committee at the meeting in January 2018.

3.2 *Other deliverables:*

As a requirement of the Public Sector Internal Audit Standards, details of which were reported to this Committee in May 2017, an external assessment against the standards is currently underway.

- 3.3 The assessment is being carried out as a peer review with the Hampshire Isle of Wight Audit Managers Group. Each of the overall standards are being reviewed and discussed by the group in order to identify best practice across the Hampshire local authorities.

- 3.4 Once the external assessment has been fully completed an overview will be provided to the Committee highlighting areas in which further work may be required.
- 3.5 In quarter 2 Internal Audit will also be assisting External Audit with some of the work required around checking IT parameters on the Benefits system, which is required for the annual Housing Benefit return.

4 Update to audit work for Q2

- 4.1 At the meeting on the 27th 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 In quarter 2, an audit review, which had not been previously scheduled within the audit deliverables, was required to be carried out relating to card payments.
- 4.3 The table below details the current status against the audits previously agreed to be delivered in quarter 2 and the additional audit review required.

Audits/follow ups	Status
External tenants follow up	Completed Q1 – Findings reported to Committee 26 th June 2017.
Parking Machine Income	Completed Q1 – Findings reported to Committee 26 th June 2017
Capital projects follow up	Completed Q2 – Findings detailed within Appendix A of this report.
Heating Payments	Completed Q2 – Findings detailed within Appendix A of this report.
Capital programme and accounting – Activation Aldershot	Completed Q2 – Findings detailed within Appendix A of this report.
Card Payments	Completed Q2 – Findings detailed within Appendix A of this report.
Transparency code	Completed Q2 – Findings detailed within Appendix A of this report.
Contract letting and tendering	To be finalised in Q2 by the contract auditor
Purchase and sale of property and	To be finalised in Q2

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Aldershot/Farnborough markets follow up	To be carried out in Q2
Cyber security	To be carried out in Q2 by the contract auditor

5 Expected deliverables for Q3 & Q4

- 5.1 The work expected to be delivered in quarter 3 and 4 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 January meeting.

Service	Audit/ follow up	Expected
HR	HMRC requirements/ taxation requirements	Q3
Finance	NNDR Billing & Collection	Q3
HR	Payroll	Q3
Finance	FMS and Bank Reconciliation	Q3
Finance	Purchase Ledger	Q4
Community	Parking Machine Income follow up	Q4
Finance	Activation Aldershot follow up	Q4
Finance	Capital programme – Depot	Q4

- 5.2 It was originally thought that the following audits could also be carried out within 17/18. However, due to resource limitations, as detailed in section 2 and an additional higher risk area being identified within quarter 2 for review within 17/18, it is unclear at this stage if these audits can be completed in 17/18.
- 5.3 Due to the additional higher risk areas being included within 17/18 it would not be unreasonable to defer the below audits until the next financial year, as sufficient audit coverage would have been carried out. Therefore, still ensuring that an appropriate opinion on assurance can be given to the Committee for 17/18. An update on this position will be communicated to the Committee at the meeting in January 2018.

Service	Audit/ follow up	Notes
Planning	Planning applications	No concerns have been raised in this area.
Community	Weekly refuse and recycling collection contract	The waste contract has recently been renewed. Therefore, deferring this review until the next financial year would allow time for the contract to be

		fully implemented prior to review.
Finance	Financial borrowing	The risk associated with this area would be low as the current level of borrowing is minimal and has only recently been utilised.

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

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

Internal Audit – Update report, presented to the Committee on the 26th June 2017

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MId=256&Ver=4>

Appendix A

Audit Title	Capital Programme – Activation Aldershot	
Year of Audit	2016/17	
Assurance given	Reasonable - <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>	
Overview of area	Activation Aldershot is a project made up of various elements, to integrate the town with the Wellesley development through green transport infrastructure and public realm improvements. The project has an overall budget of £4.5 Million.	
Priority	Key findings	Way forward agreed
Low	The end of project report states that the project has been largely a success. However, information to support this opinion has not been detailed. Furthermore, parts of the original objective of the project were subjective, therefore, would make it difficult to evidence the success of the project.	Future projects should ensure that objectives can be measurable. Details of how the projects are determined as successful should be detailed even if subjective objectives are given.
Medium	Project Management documentation was not detailed enough to show changes to the project. Furthermore, an end of project report has been completed showing the project as being £800k underspent. However, the project is still ongoing and the spend is due to increase.	An end of project report should not be carried out until the whole project has been finalised to ensure there is no miscommunication about the project. Better communication should be carried out with the relevant Finance Officer to ensure that the finances detailed within reports are accurate.
High	The budget for Activation Aldershot is £4.5 Million. However due to an historic error, the financial budget for the project has been over budgeted by £80k. Although, the full budgeted amount has not yet been spent as parts of the project are still ongoing.	The way in which budgets are carried forward has recently been updated by Financial Services to ensure that these errors going forward do not occur.

High	Grants for shop front improvements were given to some shops subject to certain conditions. Appropriate documentation and authorisation was not obtained for all of the grants paid out. Furthermore, the incorrect amount was paid out for 2 of the grants due to VAT being paid in error. This resulted in £2,350 extra being paid out.	Due to the time lapse, it will not be appropriate to go back to the shop owners to request the error amount back. However, as the shop front composite scheme is still ongoing checks should be carried out to ensure that the appropriate documentation is obtained prior to work being carried out.
Medium	A contract to carry out the works was tendered for in conjunction with the Procurement team. However, a copy of the signed contract could not be located.	The Project Manager should ensure that signed contracts are held and copies passed to Legal.

Priority key for way forwards	
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.

Audit Title	Transparency Code	
Year of Audit	2017/18	
Assurance given	Limited - <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>	
Overview of area	<p>The Local Government Transparency Code (the Code) was introduced in May 2014 by the Department for Communities and Local Government (DCLG) to “<i>meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services</i>”.</p> <p>The Code sets out 15 subjects for which data is <i>Required</i> to be published and in addition, 8 of these have further <i>Recommended</i> data to be published.</p>	
Priority	Key findings	Way forward agreed
Medium	There is partial compliance to the <i>Required</i> standard for 6 of the areas: procurement information; local authority land; grants to voluntary, community and social enterprise organisations (although this data is not easily accessible to members of the public); parking spaces; senior salaries; waste contracts.	CLT agreed that relevant services would review the requirements of the code to ensure that their service provides the relevant information required under the code.
High	For the following 4 areas, there was no compliance with the Code either because the published data is incomplete, very out of date or not published: organisation chart; Trade Union facility time; parking account; pay multiple.	
Medium	The main reasons for non-compliance were a lack of awareness that the data needs to be published, who to provide the data to and when, and how to publish the data.	CLT agreed that Internal Audit would be the corporate key contact/ co-ordinator for ensuring publication deadlines and requirements for compliance are met.
Medium	The majority of departments said that they could achieve compliance if they knew what data to provide and had a contact or co-ordinator to provide their data to for uploading onto to the relevant website / or to show them how to publish directly.	

Low	The other main barrier to compliance cited, apart from those outlined above, was a lack of clear ownership of the Code or clear milestones for achieving compliance. With its cross-Council nature, there is no obvious department to which responsibility for monitoring compliance with the Code would obviously fall.	An email will be sent from the corporate key contact to all Heads of Service detailing what is required to be carried out. Heads of service will respond to the email with details of who will be the key responsible person within their service for specific areas.
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Audit Title	Heating Project Payments	
Year of Audit	2017/18	
Assurance given	Limited - <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>	
Overview of area	An invoice was picked up as being received from a contractor for additional labour hours without sufficient documentation to support the additional hours claimed. Therefore, payments for this project were reviewed.	
Priority	Key findings	Way forward agreed
High	Incorrect amounts had been paid to the contractor, Crowthorne, due to a lack of control and monitoring of the finances for the project. Resulting in £2,500 being paid to the contractor when not due.	The £2,500 has been repaid to the Council. Managers should ensure that sufficient information is provided to support invoices prior to payment being put forward for approval.
High	Appropriate documentation was not obtained prior to making payments for additional work/ abortive work. Therefore, it is unclear if the amount invoiced for is appropriate.	Prior to authorising invoices for payment, officers should carry out checks to ensure that appropriate evidence is available to support the payment of the invoice rather than relying solely on the request from contractors for the invoice to be paid.
Medium	Unclear records are held to show when contractors have attended site or when they were unable to carry out the work.	Facilities should hold clearer records for when contractors attend site or when they attend site but are unable to carry out the work due to access not being given by RBC.

Audit Title	Card Payments	
Year of Audit	2017/18	
Assurance given	Reasonable - <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>	
Overview of area	As a result, of a complaint dealt with by Parking Services, a review of how card payments are processed and training given to officer who take payments, was carried out.	
Priority	Key findings	Way forward agreed
High	<p>Officers handling sensitive personal data need to be made aware of the importance of maintaining the security of the data. This is especially key with the introduction of General Data Protection Regulation (GDPR) next year, in which significant fines could be imposed on the Council for personal data breaches.</p> <p>Clear training records are not held to demonstrate that appropriate training has been given to officers taking card payments.</p>	<p>There is an option for online training This will ensure that a record is held to demonstrate that staff are aware of processes and furthermore they will be reminded annually.</p> <p>In addition, a 'toolbox talk' document could be completed when specific training on taking card payments is given. This can detail what training was given and all attendees then sign the document to show that they have attended the training.</p>

Audit Title	Capital Projects follow up		
Year of Audit	2017/18		
Assurance given at time of the audit	Limited - <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>		
Assurance given at time of the follow up	Reasonable - <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>		
Overview of area	<p>A review of capital projects over a 3 year period was carried out in 2015/16.</p> <p>A discussion on the findings was carried out with DMB. As a result, 5 recommendations were made. 3 Medium and 2 Low priority.</p> <p>A follow up was carried out to identify the current status of the recommendations agreed.</p>		
Priority	Way forward agreed	Follow up findings	Recommendation status
Medium	Resource availability and priority of the project to be reviewed by the asset management group.	<p>This has started to be questioned by the asset management group when capital bids are made. The group have started to look at linking projects with other strategic plans and looking at the overall spend of all projects combined and their impact rather than looking at them individually.</p> <p>This should be further applied during the next capital bid process.</p>	Implementation in progress
Medium	More monitoring of projects on the capital programme.	<p>Progress with major projects is reported to Board by the corporate projects officer.</p> <p>Finance are also currently looking at</p>	Implementation in progress

		potentially monitoring projects with large variances monthly as part of the budget monitoring process rather than quarterly.	
Low	Better definition of the asset management group's role.	<p>The asset management group are currently refining the terms of reference. The minutes from the last meeting on the 13th July shows that work is still ongoing to appropriately define the terms of reference.</p> <p>An asset management strategy was produced however this focused more on the purchase of property rather than a higher level overview of asset management as a whole. Therefore, this is currently being looked at to make it more related to asset management overall.</p>	Implementation in progress
Medium	Feasibility of projects to ensure that they can be carried out.	Feasibility is carried out for some of the projects on the capital programme. However this is still not carried out for all projects. Feasibility costs can only be capitalised if the project goes ahead.	Implementation in progress
Low	Asset management group should come back to Board with clear ideas on structure and incorporating the above points/ recommendations.	As work is still in progress with the asset management group they have not yet been back to Board with the structure incorporating all of the above points. Once the group is more established with clearer objectives this will be communicated with the Board/ CLT.	Not implemented

RISK UNIVERSE SCORING - August 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. NB: Capital programme is reviewed annually due to high financial spend. Different projects are selected annually.
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	Legal	GDPR & NIS	25		Added to the risk universe July 17. Work is currently underway by a steering group in order to ensure compliance with GDPR. As a result this will be review early 2018/19 to ensure appropriate compliance is in place following work being carried out by the group.

7	DMB	HMRC requirements	25	2015/16	Include in 2017/18 plan. More of a follow up on actions than a full audit.
8	DMB	Taxation and returns	24	2015/16	Carry out in conjunction with item 6 above - Include in 2017/18 plan.
9	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.
10	Key Financial System - Finance	NNDR billing and collection	24	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
11	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.
12	Key Financial System - Finance	Sundry debtor recovery	24	2015/16	Include in 2018/19 plan as per schedule for key financial systems.
13	Planning	Planning applications	23	2005/06	Include in 2017/18 plan.
14	Key Financial System - Finance	Council tax billing and collection	23	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
15	Community	Weekly refuse and recycling collection contract	23	Not audited	Include in 2017/18 plan.
16	Key Financial System - Finance	Council tax recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.
17	Key Financial System - Finance	NNDR recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.

18	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.
19	Community	Car boot sales	23	2015/16	A follow up will be carried out in 2017/18 plan in conjunction with item 17 above.
20	Finance	Financial Borrowing	23	Not audited	Include in 2017/18 plan.
21	Community	Rushmoor Community lottery	22		Added to the risk universe June 17
22	Community	Digital advertising boards	22	Not audited	Include in 2017/18 plan.
23	Democratic & CSU	Constitution	22	Not audited	
24	Key Financial System - DMB	Payroll/ Pay	22	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
25	Planning	SANGS	22	Not audited	
26	Planning	S106 agreements	21	2010/11	
27	DMB	External funding applications	21	Not audited	
28	Community	Grants to organisations	21	2015/16	This area was audited in 2015/16 and a follow up carried out in 2016/17.
29	Environmental Health & Housing	CCTV	21	2013/14	
30	IT & Facilities	PCI compliance	21	2008/09	
31	Key Financial System - Finance	Treasury Management	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
32	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.

33	Key Financial System - Finance	NNDR hardship, reliefs and exemptions	21	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
34	Environmental Health & Housing	Disabled facility grants	21	2011/12	
35	IT & Facilities	External tenants	21	2016/17	This area was audited in 2016/17. A follow up will be scheduled in 2017/18 plan.
36	Democratic & CSU	Corporate policy/ strategic objectives/ corporate planning	21	Not audited	
37	Democratic & CSU	Strategic partnerships	21	Not audited	
38	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.