LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:
This report describes the work carried out by Internal Audit for quarter 4 and the changes required to deliverables due to the current Covid-19 situation.

RECOMMENDATION:
Members are requested to:
  i.   Note the audit work carried out in quarter 4, including the work slipped from quarter 3.
  ii. Note the update to the expected deliverables for quarter 1 & 2.
  iii. Endorse the expected deliverables for quarter 1 & 2

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1   Introduction

1.1   This report is to provide Members with:

- An overview of the work completed by Internal Audit to date for Q4 2019/20.
- A schedule of work expected to be delivered Q1 and Q2 2020/21.
- Changes to deliverables for Q1 and Q2.
- Covid-19 impact on the audit plan

2   Audit work – Q4 19/20

2.1   The following audit work has been carried out within quarter 4:

Work	Status
Audit findings – Appendix A of this report	
Taxi Licensing – fees and processing records	A *limited assurance* opinion has been given to this area. Findings are detailed within Appendix A.
Audit work in progress	
Building Control Partnership	The draft report is currently being reviewed by the Director at Hart Council as the report deals with elements related to the partnership with Hart Council. This report will be reported at the Committee meeting in July.
Treasury Management	The draft report is currently being reviewed by the Finance Manager and will be reported at the Committee meeting in July.
Estates Management &	The work relating to this audit has been completed

Commercial Letting	and the draft report is currently being reviewed by the Chief Executive, Head of Finance and Head of Regeneration & Property. The findings will be reported at the Committee meeting in July.
Capital Project (Ski Slope maintenance)	The draft report is currently being reviewed by the Principle Contracts Mangers and Property and Estates Manager and will be reported at the Committee meeting in July.
Capital Programme Management	The draft report is currently being reviewed by the Finance Manager and will be reported at the Committee meeting in July.
PCI DSS	The draft report is currently being reviewed by the Head of Finance Manager and will be reported at the Committee meeting in July.
SANGS/ S106	The draft report is currently being reviewed by the Head of Economy, Planning and Strategic Housing and will be reported at the Committee meeting in July.
Housing Company/ RDP set up	Testing has commenced.
Petty Cash	Testing has commenced.

3   Covid-19 impact

3.1   Due to the current Covid-19 situation audit have been providing assistance with the assurance work around the payment of the grants to businesses and providing general advice to the organisation. Due to the change in priority of work this has required adjustments to be made to the previously communicated deliverables for quarter 1 and 2. The updated deliverables are detailed within Section 4 below.

3.2   In addition, this may also result in changes to the areas in which audits are carried out in 2020/21, to provide different assurances not previously anticipated when developing the audit plan for 20/21. Although, any changes will be communicated to the Committee as and when required.

3.3   Furthermore, the Annual Governance Statement (AGS) was due to be presented to the Committee in May. The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance. Due to the current situation the deadline date for the completion of this statement has been extended. Therefore, this will now be presented to the Committee at the meeting in July.

4   Expected deliverables for Q1 and Q2 2020/21

4.1   The work expected to be delivered in quarter 1 and 2 is detailed within the table below. As with the previous quarter, 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 July meeting.

Service	Audit/ follow up/descriptor	Expected
Operations	Car Park Income Reconciliation - *Consultancy days planned to offer advice around the reconciliation process for car park income.*	Q2 2020/21
Operations	Car Park PCNs - *A review of the process in place for issuing, collecting and enforcing PCNs for on and off-street parking.*	
Legal	Legal system set up – *A review of the setup of the new Legal system to ensure that appropriate controls and access has been applied.*	
ICT, Facilities & Project Services	External Tenants within the Council Offices– *A review of the agreements in place with the external tenants and the management of them. The number of tenants within the Council offices has recently increased.*	

Regeneration & Property	Council Property Maintenance – *A review of the process for identifying maintenance required on Council property and ensuring this is appropriately planned and budgets in place.*	
ICT, Facilities & Project Services	Application Patch Management – *A review of the patch management process in place for system applications to ensure that system patches required to reduce system vulnerabilities are promptly implemented.*	
Finance	Purchase Ledger – *A key financial system review.*	

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HEAD OF SERVICE: David Stanley, Executive Head of Financial Services

References: *Internal Audit – Audit Plan* report, presented to the Committee on the 23rd March 2020
https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MId=666&Ver=4

AUDIT FINDINGS ON ONE ITEM: TAXI LICENSING – FEES AND PROCESSING RECORDS

Audit Title 1	Taxi Licensing – fees and processing records
Year of Audit	2019/20
Assurance given	***Limited** – Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.*
Overview of area	A review of the taxi licensing fees and processing records was required as some errors had been identified by the team which suggested that the incorrect fee amount had been charged for some applications. The system for taxi licensing is largely manual with limited automation, as a result this opens the process up to human errors. Out of the 580 applications reviewed 286 of these had errors. The follow errors were identified *(it should be noted that some applications had more than one error):* • 187 errors were identified where the information had not been correctly recorded on the system. • 187 errors were identified where the information had not been obtained e.g. application form not fully completed or signed. • 46 financial errors, which amounted to a shortfall of £1,450.16 *Management comment:* *We recognise that the current systems and processes for Taxi Licensing are open to human error, due to the lack of automation available with the systems that we are working on. The errors identified have been corrected as far as possible, and changes have been made to the documents, processes and performance monitoring of the work to reduce the likelihood of errors, and to identify errors sooner. Longer term, we are reviewing the way that licences are processed, with a view to improving the technology to allow for more automation, therefore reducing the likelihood of human error, whilst improving the service to customers. We are undergoing continuous review, and where errors are identified, consideration is given to any process or system change that could be implemented to reduce the likelihood of the same error occurring. Since implementing this, we have seen a reduction in the error rate on the cases which are reviewed.*

Priority	Key findings	Management response and agreed action	Action by who and when
High	Due to the manual nature of inputting the data into the system this has highlighted a number of human errors. Ranging from not recording payments which have been made against accounts, to the incorrect amount being inputted and charged. Options should be considered to see if elements of the system could be more automated to minimise the potential for errors and have a more efficient process. ***Risk:*** *Having limited automation within the system will increase the risk of human errors occurring, which may not be promptly identified.*	We recognise that the current systems and processes for Taxi Licensing are open to human error, due to the lack of automation available with the systems that we are working on. The errors identified have been corrected as far as possible, and changes have been made to the documents, processes and performance monitoring of the work to reduce the likelihood of errors, and to identify errors sooner. Longer term, we are reviewing the way that licences are processed, with a view to improving the technology to allow for more automation, therefore reducing the likelihood of human error, whilst improving the service to customers. We are undergoing continuous review, and where errors are identified, consideration is given to any process or system change that could be implemented to reduce the likelihood of the same error occurring. Since implementing this, we have seen a reduction in the error rate on the cases which are reviewed.	Shelley Bowman, *Principal Licensing Officer* Ongoing
Medium	Checks are currently not carried out on officers work therefore errors are not identified unless issues arise which highlight the error. Due to the	Weekly checks have been introduced and any errors identified are corrected by the officer. A checklist	Shelley Bowman, *Principal Licensing Officer*

	manual human reliance within the process random checks should be carried out to ensure that errors are promptly identified and corrected. ***Risk****: If checks are not carried out then errors may go undetected.*	has also been introduced for all new drivers which is completed by the case officer and checked/signed off by another member of team before the licence is granted.	Implemented
High	This review identified a number of errors which have been recorded. These should be corrected where possible. ***Risk:*** *If errors are not corrected then the data held within the system will not be appropriate.*	The errors, where possible, have been corrected by the officers.	Shelley Bowman, *Principal Licensing Officer* Implemented
Low	The application forms appeared not to be fully completed however it was due to them being out of date as not all the data on the application form is now relevant and therefore is not required to be completed. The application form should be updated. ***Risk:*** *If the application form is not updated to only collect relevant information that is required to be collected then it may appear incomplete or unnecessary data may be collected.*	The application form has been updated to remove the unused sections.	Shelley Bowman, *Principal Licensing Officer* Implemented
Medium	It was not clear what amount should be charged for the sticking fee as the amount changed part way through the year. However, it was not clear what date the new amount was applicable from. A record of when the amount changed should be held to ensure that the correct amounts are being charged especially as this amount is manually inputted onto the system and therefore could be open to human error.	The amount for the sticking kit has been added to the website with all other fees so that there is no confusion, and will be updated on 1st April each year in accordance with the time that the supplier changes their costs.	Shelley Bowman, *Principal Licensing Officer* Implemented

	Risk: Without knowing the periods that the charges are applicable from and to makes it unclear if the correct amount has been charged for these periods.		

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.