

# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date**                    **28 November 2016**

**Report of:**            **Head of Finance and Audit**

**Subject:**                **QUARTERLY INTERNAL AUDIT REPORT**

### **SUMMARY**

This report provides the assurances arising from the latest internal audit work and gives an update on progress being made with the delivery of the audit plans.

### **RECOMMENDATION**

That the Committee notes the progress and findings arising from Internal Audit work.

## INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

## FINALISING PREVIOUS AUDIT PLANS

2. The current status of the 4 audits remaining from the 2014/15 Internal Audit Plan and 5 audits remaining from the 2015/16 Internal Audit Plan in the last report is detailed in [Appendix One](#) which shows that 3 of these have now been finalised.

## DELIVERY OF 2016/17 AUDIT PLAN

3. Work has started to deliver the 2016/17 plan as detailed in [Appendix Two](#) and one audit has now reached the final report stage. Resources have now been agreed with the audit contractors to cover the rest of this year's plan and a number of audits are now underway.

## FINDINGS FROM COMPLETED AUDITS

4. Since the previous Audit and Governance Committee, four final reports have been issued as listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Housing Benefits and Council Tax Support 2014/15	Strong	-	-	-
Household Waste Collection 2015/16	Strong	-	1	-
Recycling 2015/16	Strong	-	-	-
Neighbourhood Working, Public Relations and Consultation 2016/17	Strong	-	-	-

5. The detail of the recommendations made and the actions to be taken is provided in [Appendix Three](#).

## RISK ASSESSMENT

6. There are no significant risk considerations in relation to this report

## Appendices

**Appendix One** - Update on Outstanding Audits from Previous Plans

**Appendix Two** - Audits in the 2016/17 Audit Plan

**Appendix Three** - Findings from the Latest Completed Audits

**Appendix Four** - Reference Tables

**Background Papers:** None

**Reference Papers:**

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on the Contractor Annual Audit Plan 2014/15

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on the Internal Audit Strategy and Annual Audit Plan 2015/16

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

**Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext 4344)

## APPENDIX ONE

### Update on Outstanding Audits from Previous Plans

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>2014/15</b>										
<b>Housing Benefits and Council Tax Support</b>	Fundamental (V)	30	<b>Stage 10</b>	<b>Strong</b>	-	-	-	1	-	-
Information Governance Opinion	Computer	6	Stage 8							
Income Collection & Banking	Fundamental	15	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
<b>2015/16</b>										
<b>Household Waste Collection</b>	Service and Systems – HR	10	<b>Stage 10</b>	<b>Strong</b>	-	1	-	-	-	-
<b>Recycling</b>	Service and Systems – HR	10	<b>Stage 10</b>	<b>Strong</b>	-	-	-	-	-	-
Recruitment and Selection	Corporate, Specialist, Governance (V)	15	Stage 8							
Land Charges	Service and Systems – HR	12	Stage 8							
Contract Deeds Management	Thematic Review	15	Not started							

\* A key to the information in this column is given in Appendix 4.

\*\* V denotes this audit was covering a service which had been subject to a Vanguard intervention



No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>WIDER WORK</b>											
16	Leaseholder Charges	Joint working project		Stage 4							
17	Building Health and Safety Risks	Follow Up / Joint working project		Not started							
18	Data Protection	Joint working project		Stage 1							
19	Employee Performance Management	Joint Working Project - Corporate System		Not started							
20	Risk Management Approach	New Process		Stage 5							
21	Effectiveness of Ethics related activities (part 2)	Thematic Review		Stage 1							

## Findings from the Latest Completed Audits

## APPENDIX THREE

<b>Audit Title</b>	<b>Housing Benefits and Council Tax Support</b>	<p><b>Overview of Subject:</b> The Benefits section assesses new benefit claims and changes in circumstances for current claimants. Housing Benefit claims are usually paid fortnightly and Local Council Tax Support and Second Adult Rebate are applied to their Council Tax account. There are approximately 3,800 live Housing Benefit and 4,754 Council Tax support and rebates in payment. The service has undertaken a vanguard review and the new system was rolled out in September 2014 to all customers.</p>
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟠)	Advisory (🟡)	Implemented (🟢)	Cancelled (🟤)	Non Implemented (🔴)
Management Controls			-	-	-	-	-	-
Information Controls			-	-	-	1	-	-
Value Steps New Claims			-	-	-	-	-	-
Value Steps Change of Circumstances			-	-	-	-	-	-
Value Steps Correct Assessment of Claims			-	-	-	-	-	-
Value Steps Notification of Entitlement			-	-	-	-	-	-
Value Steps Payments Made			-	-	-	-	-	-
Collection of Overpayments			-	-	-	-	-	-

<b>Audit Title</b>	<b>Household Waste Collection</b>	<p><b>Overview of Subject:</b> Fareham Borough Council is a Waste Collection Authority, with Hampshire County Council (HCC) being the Waste Disposal Authority. General waste is taken to the Energy Recovery Facility in Portsmouth where generates electricity for the National Grid.</p> <p>The Council maintains its own refuse vehicle fleet and operatives based at the Depot. An alternative week domestic and recycling domestic waste collection service is in place covering approximately 48,000 properties. The Council also provides approximately 150 clinical waste collections a week and approximately 650 bulky waste collection services a year.</p>
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2011/12	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Household Waste Collection			-	-	-	-	-	-
Management of Missed Collections			-	-	-	-	-	-
Income from Bulky Waste / Fridge/Freezer Collection and Disposal			-	1	-	-	-	-
Clinical Waste Collections			-	-	-	-	-	-
Charging Arrangements for Replacement or Additional Bins and to Developers			-	-	-	-	-	-
Health and Safety Procedures for Operatives			-	-	-	-	-	-

**Weaknesses identified during the audit and the proposed action** (Essential and Important only)

<b>Important</b>	<p><b>Reconciliation of Bulky Waste Collections to Income Received</b> – It was not possible to fully reconcile a period of income collection to the bulky waste collections service delivered, due to the lack of information posted into the finance system. Sample testing of ten items did confirm, however, that the correct charge had been applied and paid and that the payments had been received before the collection was listed on the Crew Collection Sheets. Actions have therefore been agreed to help verify that the correct income is being posted to the financial ledger each month, going forward.</p>
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<b>Audit Title</b>	<b>Recycling</b>	<p><b>Overview of Subject:</b> The Council maintains its own recycling vehicle fleet and operatives are based at the Depot. Recycling of domestic waste uses blue top bins which are collected on a fortnightly basis.</p> <p>Fareham Borough Council is part of the Project Integra Partnership, which includes all 11 Hants Waste Collection authorities, the Waste Disposal Authority (HCC), two unitary authorities (collection and disposal) and Veolia Environmental Services. Currently in Hampshire, 35% of waste is recycled. Project Integra has a contract with the Materials Recycling Facility (MRF) in Portsmouth. All recycling materials (General Dry Mix) are sorted there and then sent for processing into new items. HCC pays Fareham Borough Council for the tonnes of general dry mix collected each year.</p>
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2011/12	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (●*)	Important (▲)	Advisory (Ⓜ)	Implemented	Cancelled	Non Implemented
Recycling Waste Collection			-	-	-	-	-	-
Income Collection for Recycling of General Dry Mix			-	-	-	-	-	-
Income Collection for Recycling of Glass			-	-	-	-	-	-
Income Collection for Recycling of Textiles			-	-	-	-	-	-
Management of Recycling Banks			-	-	-	-	-	-

<b>Audit Title</b>	<b>Neighbourhood Working, Public Relations and Consultation</b>	<b>Overview of Subject:</b> This audit covered two services featured in the budget book which are about how the Council engages with its residents, gauges their satisfaction and liaises with the media.
<b>Year of Audit</b>	<b>2016/17</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	No previous opinion	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Communication and Engagement Strategy			-	-	-	-	-	-
E-Panel Process			-	-	-	-	-	-
Measuring Residents Satisfaction			-	-	1	-	-	-
Social Media			-	-	1	-	-	-
Liaison with the Media			-	-	-	--	-	-
Consultations			-	-	-	-	-	-
Fareham Today			-	-	1	-	-	-
Sales of Advertising Space			-	-	-	-	-	-

**Reference Tables**

**1. Scale of Assurance Opinions**

<b>Strong</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>Minimal</b>	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.

**2. Scale of Recommendation Priorities**

<b>Essential</b>	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 A&G Committee and implementation of proposed actions are monitored.
<b>Important</b>	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 A&G Committee and implementation of proposed actions are monitored.
<b>Advisory</b>	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. Actions are not tracked.

**3. Stages of An Audit Assignment**

<b>Stage 1</b>	The Audit teams have started drawing up the scope of coverage for the assignment.
<b>Stage 2</b>	A scoping meeting has been held with the Sponsor in the client service.
<b>Stage 3</b>	The Terms of Reference for the Assignment have been finalised.
<b>Stage 4</b>	The Auditor has started to deliver the agreed scope of work.
<b>Stage 5</b>	The work completed by the Auditor is being reviewed by their manager.
<b>Stage 6</b>	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
<b>Stage 7</b>	Any additional testing identified has been completed.
<b>Stage 8</b>	The draft report has been received by the in-house audit team.
<b>Stage 9</b>	The draft report has been issued to the Service Sponsor and is awaiting their response.
<b>Stage 10</b>	The final report has been issued.