

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 25 September 2017

Report of: Head of Finance and Audit

Subject: QUARTERLY 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

It is recommended 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 12 audits remaining from the previous Audit Plans is detailed in [Appendix One](#). A further 2 have now been finalised and work has now commenced on the main outstanding audit on Contract Deeds Management.

DELIVERY OF 2017/18 AUDIT PLAN

3. Work is progressing on the delivery of the current years audit plan, as noted in Appendix Two. The first audit has now been finalised.

FINDINGS FROM COMPLETED AUDITS

4. The three latest final reports that have been issued are 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 |
| Multiple Parking Permits and at Single Person Discount Properties 2017/18 | Not Applicable | - | - | - |
| Housing Rents 2016/17 | Reasonable | - | 5 | 1 |
| Effectiveness of Ethics related activities (physical security) 2016/17 | Reasonable | - | 1 | - |

5. 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 2017/18 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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

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 |
| 2014/15 | | | | | | | | | | |
| Income Collection & Banking | Fundamental | 15 | Stage 8 | | | | | | | |
| Information Governance Opinion | Computer | 6 | Stage 8 | | | | | | | |
| Contract Completion | Corporate, Specialist, Governance | 10 | Stage 8 | | | | | | | |
| 2015/16 | | | | | | | | | | |
| Recruitment and Selection | Corporate, Specialist, Governance (V) | 15 | Stage 9 | | | | | | | |
| Land Charges | Service and Systems – HR | 12 | Stage 8 | | | | | | | |
| Contract Deeds Management | Thematic Review | 15 | Stage 4 | | | | | | | |
| 2016/17 | | | | | | | | | | |
| Housing Rents | Fundamental System | 15 | Stage 10 | Reasonable | - | 5 | 3 | 2 | - | 1 |
| Daedalus Project | Service and Systems – High Risk | 12 | Stage 8 | | | | | | | |
| Cloud Based Computing | Computer | 15 | Stage 8 | | | | | | | |
| Leaseholder Charges | Joint working project | | Stage 5 | | | | | | | |
| Building Health and Safety Risks | Follow Up / Joint working project | | Stage 5 | | | | | | | |
| Effectiveness of Ethics related activities (physical security) | Thematic Review | | Stage 10 | Reasonable | - | 1 | 2 | - | - | - |

* 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

Findings from the Latest Completed Audits

APPENDIX THREE

| | | |
|--------------------------------|--|--|
| Audit Title | Multiple Parking Permits at Single Person Discount Properties | <p>Overview of Subject: Fareham Borough Council obtains council tax revenue from just under 50,000 domestic properties. From this total almost 14,000 (28%) are in receipt of a Single Occupancy Discount, which entitles residents to a 25% discount on their council tax bill.</p> <p>The Council operate a resident parking permit system; at the time of testing there were 841 active resident permits in circulation spread across nine different geographic locations.</p> <p>The resident permit data has been data matched against the council tax data to see if there is any indication of fraudulent council tax claims of Single Occupancy Discount.</p> |
| Year of Audit | 2016/17 | |
| Type of Work | Computer audit - data analytics | |
| Assurance Opinion Given | Not applicable | |
| Direction of Travel | Not applicable | |

| Results of the Data Match | |
|---|-----------|
| Number of SRD properties with parking permits | 135 (1%) |
| Number of discrepancies between name of liable council tax payer and parking permit holder | 23 (17%) |
| Number of cases where the discrepancy was due to the person named on the associated parking permit also living at the address. | 1 |
| <p>Action Taken</p> <p>Discount now removed. Repayment of discount requested (approx. £500) Penalty Charge applied £70</p> | |

| | | |
|--------------------------------|----------------------|--|
| Audit Title | Housing Rents | <p>Overview of Subject: Fareham Borough Council has over 2400 rental properties under its control with a weekly rental yield of approximately £215,000. The billing and collection of rents due is the responsibility of the Tenancy Services Team. Officers within the team are given a patch of properties to maintain and ensure the rent is being paid as agreed. Debts owed by former tenants are collected by Finance via the sundry debts system and process.</p> <p>The service had recently undergone a vanguard intervention which concentrated on managing rent accounts. The purpose for the service has been defined as <i>Make it easy for me to pay my rent.</i></p> |
| Year of Audit | 2016/17 | |
| Type of Work | Opinion audit | |
| Assurance Opinion Given | Reasonable | |
| Direction of Travel | ↔2013/14 | |

| 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 |
| Maintaining Property and Tenancy Records | | | - | - | - | - | - | - |
| Accuracy of Rent Calculations | | | - | - | - | - | - | - |
| Housing Benefit Interfacing | | | - | - | - | - | - | - |
| Allocation of Income & reconciliation | | | - | - | 1 | - | - | - |
| Transfers between FBC Properties | | | - | 1 | - | - | - | - |
| Current Rent Arrears Monitoring and Processes | | | - | 2 | - | - | - | - |
| Write Offs | | | - | 1 | - | - | - | - |
| Billing | | | - | - | - | - | - | - |
| Former Tenant Arrears | | | - | - | 1 | - | - | 1 |
| Bad Debt Provision | | | - | - | 1 | - | - | - |
| Accounts in Credit | | | - | 1 | - | - | - | - |
| Refunds | | | - | - | - | 1 | - | - |
| Account Adjustments | | | - | - | - | - | - | - |
| Separation of Duties and system access | | | - | - | - | 1 | - | - |
| Policies and Procedures | | | - | - | - | - | - | - |

| Weaknesses identified during the audit and the proposed action (Essential and Important only) | |
|--|---|
| Important | Transferring debts - Where a tenant moves properties, any outstanding rent or associated debts were not always being recorded as part of the new tenancy agreement. Action: It was agreed that this will now be a standard part of the process. |
| Important | Current Arrears – System Recommendations & Arrangements – Courses of actions indicated by the system to tackle arrears were not always followed and there was no notes of why nor any records on the system of other arrangements that had been agreed. Action: Officers are looking into whether there is an option within the system to force officers to provide a reason as to why they have disregarded a recommended action, and whether arrangement tables can be set up in the system. |
| Important | Current Arrears – Monitoring reports - The debt monitoring reports were considered to be weak in relation to understanding the level of debts at each stage of the process. This is being looked at as part of the Vanguard intervention. |
| Important | Improving the Accuracy of Write Offs – 3/181 write offs in the year had been double entered so the account was in credit and needed reversing. There was also a period of time when authorised write offs were not being entered on the system promptly. Action: The batch total within the system will now be compared to the total expected write offs to ensure double write offs do not occur. Future write offs are expected to be actioned within a month of being authorised. |
| Important | Accounts in Credit – Limited action was being taken in relation to accounts in credit for both current and former tenants. Action: A general review of how credit balances on current tenant accounts are dealt with will be instigated. |
| Previous Important | Former Tenant Arrears – There is still no consistent process to ensure that former tenant arrears are written off the Housing Rents system when they are transferred to the sundry debtor system for managing. Action: Finance to send the list of cases transferred to the sundry debt team to the E-Business Officer to action the write off. |

| | | |
|--------------------------------|-----------------------------------|---|
| Audit Title | Physical Security (Ethics) | <p>Overview of Subject: This audit formed part of the evidence to support the annual audit ethics opinion. It provided supporting information for the Value of Confidentiality: <i>Respecting the privacy of our customers and keeping their personal information confidential.</i></p> <p>The focus of the audit was looking at the adequacy controls in place to restrict access to the Civic Offices at Fareham Borough Council. There are currently 1048 live swipe cards offering access to the offices.</p> |
| Year of Audit | 2016/17 | |
| Type of Work | Opinion audit | |
| Assurance Opinion Given | Reasonable | |
| Direction of Travel | Not applicable | |

| Areas of Scope | Adequacy and Effectiveness of controls | | New Recommendations raised | | | Previous Rec Implementation | | |
|---|--|------------|----------------------------|---------------|---------------|-----------------------------|-----------|-----------------|
| | | | Essential (🚨) | Important (▲) | Advisory (ℹ️) | Implemented | Cancelled | Non Implemented |
| Key Control for main entrance and basement | | | - | - | - | - | - | - |
| Code control for individual floors | | | - | - | 1 | - | - | - |
| Alarm system | | | - | - | - | - | - | - |
| Management of employee & member access | | | - | - | - | - | - | - |
| Management of tenant access to the building | | Not tested | - | 1 | - | - | - | - |
| Management of visitors / contractors access | | | - | - | - | - | - | - |
| Layout of interview booths | | | - | - | 1 | - | - | - |
| Management of others given access | | | - | 1 as above | - | - | - | - |

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

| | |
|------------------|---|
| Important | <p>Regular Review of Non FBC and Tenant ID Cards – Testing found that there were a large number of Non FBC employees and tenants who were issued with access cards to the building, and there were some weaknesses in identifying leavers or people whose access should be disabled. Actions are therefore being implemented to start performing regular reviews of these cards in collaboration with the tenants/ officers requesting the access.</p> |
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Reference Tables

1. Scale of Assurance Opinions

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|-------------------|---|
| 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. |

2. Scale of Recommendation Priorities

| | |
|------------------|---|
| 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 A&G 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 A&G 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. Actions are not tracked. |

3. Stages of An Audit Assignment

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