

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 27 November 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 10 audits remaining from the previous Audit Plans is detailed in [Appendix One](#). One more has been finalised and further work has been carried out on another 2 to facilitate finalisation of the work.

## DELIVERY OF 2017/18 AUDIT PLAN

3. Work is progressing on the delivery of the current year's audit plan, as noted in Appendix Two. A further 3 audits have now been finalised.

## FINDINGS FROM COMPLETED AUDITS

4. The four 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
Street Furniture 2017/18	Strong	-	1	-
Recruitment and Selection 2015/16	Reasonable	-	3	-
Pest Control 2017/18	Reasonable	-	3	2
Dog Control 2017/18	Limited	-	7	-

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

## RISK ASSESSMENT

6. There is a risk of the non -collection of income and over-payment of invoices arising from the audit of the Dog Control service. The service is now introducing monthly reconciliations to address these risks.

### 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
<b>2014/15</b>										
Income Collection & Banking	Fundamental	15	Stage 8							
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
<b>2015/16</b>										
<b>Recruitment and Selection</b>	Corporate, Specialist, Governance (V)	15	<b>Stage 10</b>	Reasonable	-	3	2	-	-	-
Land Charges	Service and Systems – HR	12	Stage 8							
Contract Deeds Management	Thematic Review	15	Stage 4							
<b>2016/17</b>										
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							

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

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

## APPENDIX TWO

### Audits in the 2017/18 Plan

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
OPINION AUDITS											
1	Main Accounting System and Budgetary Control	Fundamental System	11	Stage 8							
2	Accounts Receivable		15	Stage 2							
3	Income Management		12								
4	Housing Benefits		10	Stage 1							
5	Leisure Centre Contracts	Corporate /contract	10	Stage 1							
6	Ferneham Hall including databox	Service and Systems – High Risk	20	Stage 7							
7	Commercial Estates		15	Stage 8							
8	Property Maintenance & Inspections at Non-Housing Buildings		15	Stage 1							
9	Developers Contributions		15								
10	Homelessness (V)		15	Stage 5							
11	<b>Dog Control (New)</b>	Service and Systems - Other	6	<b>Stage 10</b>	Limited	-	7	1	-	-	-
12	<b>Pest Control (New)</b>		6	<b>Stage 10</b>	Reasonable	-	3	2	1	1	2
13	<b>Street Furniture (New)</b>		5	<b>Stage 10</b>	Strong	-	1	-	-	-	-
14	Pensions		10	Stage 1							
15	Chipside (Parking IT system)	Computer	12								
16	<b>Multiple Parking Permits at Single Person Discount Properties</b>		3	<b>Stage 10</b>	Not applicable	-	-	-	-	-	
	Contingency		15								
	In-house team support		35								
	Total Planned Time		<b>230</b>								



## Findings from the Latest Completed Audits

## APPENDIX THREE

<b>Audit Title</b>	<b>Street Furniture</b>	<b>Overview of Subject:</b> Street furniture consists of community street lighting, street name plates, bus shelters, litter bins, bollards and memorial benches which are managed by the Street Scene team. War Memorials and Public Clocks are managed by the Estates Team. The service costs approximately £100,000 a year.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	No previous audit	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Accurate and up to date records			-	-	-	-	-	-
Accuracy of fees charged, payments made and correct authorisation			-	-	-	-	-	-
Correct allocation of income			-	-	-	-	-	-
Arrears and recovery			-	-	-	-	-	-
Correct charges to the materials budget			-	-	-	-	-	-
Street name plates			-	-	-	-	-	-
Street lighting			-	1	-	-	-	-

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

<b>Important</b>	<b>Unclear invoices from Hampshire County Council</b> – The invoices received from Hampshire County Council do not contain sufficient information for the Council to calculate if the invoices are accurate and in line with the contractual agreement. Rough estimates indicated that the maintenance charge was more than expected but the energy charges were less than expected. The number of street lights being charged for also did not agree to FBC records which could indicate that not all the lights are being maintained. HCC is to be contacted for more details to support the calculations.
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<b>Audit Title</b>	<b>Recruitment and Selection</b>	<b>Overview of Subject:</b> Fareham Borough Council recruits approximately 20-50 new permanent and fixed term starters a year, and a further 20 agency workers.  The recruitment and selection process was subject to a Vanguard review during 2013/14 and consequently each recruitment exercise is designed separately involving the manager and an assigned Human Resources Officer and considers both the needs of the service and candidates.
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2007/8	

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
Finding People			-	1	-	-	-	-
Assessing their Fit			-	1	2	-	-	-
Insurance Fidelity Guarantee			-	1	-	-	-	-
Offer and Hire			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
<b>Important</b>	<b>Keeping Evidence of Relationship Declarations</b> - Testing of declaration of interests of applications found that it was not possible to identify what was declared by 3/10 of the applications. This was considered to be the result of documents being missed during the scanning process and action has been taken to strengthen that process.
<b>Important</b>	<b>Agency Framework Agreements and Temporary Staff Checks</b> – No up to date agreement was in place for 1/3 agency firms tested. The agreement needs to stipulate the vetting checks of employees they are required to be carried out. Confirmation has been obtained that the appropriate vetting has been carried out by that agency, and officers are looking into getting a new agreement in place.
<b>Important</b>	<b>Procedures to alert the employment of agency employees outside of the main framework</b> - The Council has a framework agreement in place for the employment of most agency employees. The Human Resources department check that all agencies on the framework carry out the vetting procedures required as part of our Fidelity Guarantee Insurance. However, actions are need to flag up any employment of temporary employees outside of this agreement so that the Human Resources team can carry out the same checks on the suppliers.



<b>Audit Title</b>	<b>Pest Control</b>	<b>Overview of Subject:</b> The Pest Control Service is administered by the Fareham and Gosport Councils under the Environmental Health Partnership. There are approximately 1,200 pest control treatments a year in Fareham of which 73% are for rats and mice. Operational duties are carried out by two Animal and Pest Control Officers. One of the officers is new in post and has undergone qualification training. A contractor has therefore been utilised to ensure continuity of service during that period. Expected annual expenditure for the service is £56,700 and expected income £4,000. New fees and charges have been recently approved and are due to be implemented with effect from 1 <sup>st</sup> October 2017.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔ 2012/13	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Scheduling of works			-	-	1	-	-	-
Secure Collection and Transfer of Income			-	-	-	1	-	-
Supporting Evidence and Checks for People Eligible for Discounts			-	1	-	-	-	-
Raising of Sundry Debtors Accounts including Recharges			-	1	1	-	1	-
Monitoring of Employees / Contractors and Works Undertaken			-	-	-	-	-	-
Stock Control and Ordering			-	-	-	-	-	-
Compliance with 1949 and 1986 Legislation			-	-	-	-	-	-
Monitoring of Need for Repeat Treatments			-	-	-	-	-	-
Management of Commercial Contracts			-	-	-	-	-	-
Control over Refunds			-	-	-	-	-	-
Reconciliation of Ocella to Efinancials			-	1	-	-	-	2

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Important</b>	<b>Inconsistent Charging</b> - There was a period of time where income for pest control treatments was not being collected due to a turnover of staff and use of the contractor. This will increase with importance once the new chargeable fees come into place. The service is reviewing the staff structure to establish how monitoring of income duties can be assigned.
<b>Previous Important</b>	<b>Reconciliation of Income collection</b> - No reconciliation between job records and income collected is being carried out. The introduction of a new fee table into the IT system is expected to make such reconciliations easier.
<b>Important</b>	<b>Evidence to Support Benefits</b> –13/15 free treatments claimed in the period tested did not have any benefits evidence to support eligibility to free treatment. A field is to be added to the work sheets which will include the benefits type being received and the reference.
<b>Important</b>	<b>Non-standard charges</b> – It was not possible to confirm that the correct rate had been charged for 2/6 charges collected by invoice. A field is to be added to the job sheets to explain any variances from the published fees and charges
<b>Previous Important</b>	<b>Checks that all receipts are accounted for</b> – Job records are still not being reviewed to ensure that receipt numbers are entered for chargeable fees, they run sequentially and that gaps are investigated.

<b>Audit Title</b>	<b>Dog Control</b>	<b>Overview of Subject:</b> The Environmental Health Partnership provides the Dog Control Service for both Fareham Borough Council and Gosport Borough Council. There were 164 stray dog incidents recorded for the 2 Councils across a 14 month period and 3 kennels were used for kennelling the dogs.  This audit was carried out by the Gosport Borough Council audit team and so is in their style.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Limited</b>	
<b>Direction of Travel</b>	No previous opinion	

Risks Tested	Risk Assessment based on adequacy and Effectiveness of Controls	New Recommendations Raised			Previous Rec Implementation (E and I only)		
		Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Staff / Volunteers are injured by a dog		-	1	-	-	-	-
Dogs are diseased or not kept in good conditions affecting their health and staff health and potential bad publicity.		-	-	-	-	-	-
Dogs and /or dog owners causing a nuisance in the Borough, leading to public issues		-	-	-	-	-	-
Dogs are run over, injured or lost.		-	-	-	-	-	-
Theft of income paid in		-	2	-	-	-	-
Incorrect fees are charged		-	2	1	-	-	-
Late payment of fees resulting in cash flow issues		-	-	-	-	-	-
Debtors do not pay.		-	-	-	-	-	-
Incorrectly invoiced for kennelling and vets fees.		-	2	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
<b>Important</b>	<b>Checking kennelling invoices</b> – There was limited checking carried out of the invoices being paid for kennelling fees, and it was not possible to reconcile these to the case management system during the audit. A checking mechanism is now to be introduced.
<b>Important</b>	<b>Checking kennelling costs are recharged to the dog owners</b> – There was no system to check that kennelling fees are recharged back to the dog owner

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
	and there appeared to be a large number that had not been recharged. Monthly reconciliations are now to be introduced.
<b>Important</b>	<b>Timing of Stray Dog records</b> – Records of stray dogs cases are not always created on the management system at the time the call is received. A way of achieving this is to be discussed in the team.
<b>Important</b>	<b>Waiving of Charges</b> – A procedure is needed whereby senior managers agree any waiving of charges that should be made to the dog owners.
<b>Important</b>	<b>No reconciliation to receipts issued</b> – There was no reconciliation being carried out of manual receipts being issued for income collected in person from owners such that 1 receipt was found to have been banked 14 months after the month the money was collected, and the money for another receipt could not be traced due to missing information on the receipt.
<b>Important</b>	<b>Records of Receipt Books</b> – The department does not keep records of what receipt books they have been issued with and therefore which sets of receipts they are expecting income from. This information is only held by the issuing department.
<b>Important</b>	<b>Procedure Notes</b> – There are 4 sets of procedure notes for the service which has not been updated for a number of years.

## 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.