

# FAREHAM

## BOROUGH COUNCIL

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

**Date:** 26 November 2018

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

**Subject:** INTERNAL AUDIT PROGRESS 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.

## PROGRESS OF 2018/19 AUDIT PLAN

2. The original plan for the year had 25 audits included and an additional audit was added in the last quarter. Having reviewed the audits in the plan for the year, two have now been removed as follows:
  - (a) The audit of contract management has been postponed from the plan for coverage next year. This is due to resources instead being used in the roll out of the new Procurement and Contract Procedure Rules and embedding the new thinking about the procurement stage into the organisation before moving onto contract management.
  - (b) The Data Protection work on database searches has been removed from the audit plan as this review will now be wholly undertaken by the information management team. The results will, however, still, be used as a source of assurance for the Head of Audits Annual Opinion.
3. Work has started to deliver the rest of the plan such that 13 of the remaining 24 audits are at least at the fieldwork stage and the first 5 audits have now been finalised, as detailed in Appendix Two. We are therefore confident that given this and the recruitment of additional resources in progress, we will meet our target of 20 audits being ready to support the Annual Audit Opinion in July 2019.

## FINALISING PREVIOUS AUDIT PLANS

4. The current status of the 12 audits remaining from the previous Audit Plans is detailed in Appendix One. Three more reports have now been finalised and work has continued on 3 more to bring them to a conclusion.

## FINDINGS FROM COMPLETED AUDITS

5. The eight 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
Insurance and Fraud Data Match 2018/19	Not applicable	0	0	-
ICT Costs and Budgets 2017/18	Not applicable	2	5	-
Mobile Phone Billing 2017/18	Not applicable	0	7	-
Council Tax and Business Rates 2018/19	Strong	0	1	-
Property Maintenance and Inspections – Non-Housing Council Buildings	Reasonable	1	0	1

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Housing Grants and Home Improvements 2018/19	Reasonable	1	1	-
Parking Strategy and Income 2018/19	Reasonable	0	2	2
Dog Control Follow Up 2018/19	Limited	0	0	6

6. Detail of the recommendations made and the actions to be taken is provided in Appendix Three.
7. The assurance opinion for Dog Control audit was again 'limited' due to the progress made on the action plan from last year being insufficient to change the opinion. This is mainly due to the managers of the service having to deal with unexpected challenges in another service area in the interim period which carried a higher level of risk. However, the Head of Service and Head of Finance and Audit have now devised a revised action plan to resolve the issues identified in this audit, which will include carrying out a vanguard style review of the operation of the services and additional resources from outside the service being used to set up improved systems of reconciliation.

### **RISK ASSESSMENT**

8. There is a risk of the non -collection of income and over-payment of invoices arising from the audit of the Dog Control service. Additional resources are being provided to the service to set up a reconciliation process to address these risks.

### **Appendices:**

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

**Appendix Two** - Audits in the 2018/19 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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

**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>										
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
<b>2015/16</b>										
Land Charges	Service and Systems – HR	12	Stage 8							
<b>2016/17</b>										
Daedalus Operating Contracts	Service and Systems – HR	12	Stage 9							
Cloud Based Computing	Computer	15	Stage 8							
Leaseholder Charges	Joint working project		Stage 5							
Building Health and Safety Risks	Follow Up / Joint working		Stage 9							
<b>2017/18</b>										
Commercial Estates	Service and Systems – HR	15	Stage 9							
<b>Property Maintenance &amp; Inspections at Non-Housing Buildings</b>	Service and Systems – HR	15	<b>Stage 10</b>	Reasonable	1	-	-	-	-	1
<b>IT costs and budgets</b>	Thematic Review		<b>Stage 10</b>	Not applicable	2	5	0	-	-	-
Risk Inspections of Public Areas	Thematic Review		Stage 4							
<b>Mobile Phone Billing</b>	Thematic Review		<b>Stage 10</b>	Not applicable	-	7	-	-	-	-

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

APPENDIX TWO

Audits in the 2018/19 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
<b>OPINION AUDITS</b>											
1	<b>Council Tax and NNDR</b>	Fundamental System	15	<b>Stage 10</b>	Strong	0	1	0	2	-	1
2	Capital Expenditure and Accounting		10	Stage 4							
3	Accounts Payable		10	Stage 1							
4	Fixed Assets		10	Stage 1							
5	Cemeteries & Closed Churchyards	Service and Systems – High Risk	15	Stage 1							
6	<b>Housing Grants and Home Improvements</b>		10	<b>Stage 10</b>	Reasonable	1	1	-	-	2	-
7	<b>Parking Strategy and Income</b>		15	<b>Stage 10</b>	Reasonable	0	2	-	4	1	2
8	Vehicle Management		15	Stage 4							
9	Housing Communal Services		10	Stage 1							
10	Planning Applications		15								
11	Markets Contract	Service and Systems - Other	5	Stage 1							
12	Out of hours service		12	Stage 1							
13	Orchard (Housing Rents IT system)	Computer	15	Stage 1							
14	Software Control Follow up		8	Stage 4							
15	Ferneham Hall Follow up	Follow Up	10	Stage 4							
16	<b>Dog Control Follow up</b>		5	<b>Stage 10</b>	Limited	-	-	-	1	-	6
	Contingency / In-house support		50								
	Total Planned Time		<b>230</b>								
<b>WIDER WORK</b>											
17	<b>Insurance claimants who have been the subject of fraud investigations</b>	Computer - data analytics		<b>Stage 10</b>	Not applicable	-	-	-	-	-	-
18	Review of compliance with new CIPFA guidance on Audit	Publication review		Stage 6							

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
	Committees (Extra)										
19	Housing Maintenance invoicing and stock control - part 2	Post investigation systems work		Stage 4							
20	Write Offs History Analysis & Interest charges	Thematic review									
21	Deceased persons list	Thematic Review									
22	Use of depot storage areas and security of plant, equipment and materials.	Joint working project		Stage 3							
23	Review of all outstanding IT audit recommendations	Follow Up		Stage 1							
24	Review of all other outstanding audit recommendations	Follow Up		Stage 4							
	Contract Management	Corporate / Contract - joint working		Postponed to next year							
	General Data Protection Regulations - Responding to database search requests	Corporate - joint working		Deleted							

## Finding from the Latest Completed Audits

<b>Audit Title</b>	<b>Insurance and Fraud Data Match</b>	<p><b>Overview of Subject:</b> Fareham Borough Council receives approximately 140 claims a year which are reviewed and processed by the insurance team. Insurance systems are known to be at risk of fraudulent claims which could result in the council or the insurance company paying out more than they should.</p> <p>This audit involved taking the last 5 years of insurance data and matching it to fraud case data to see if there is any indication of the system being targeted by potential fraudsters.</p>
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	Computer audit - data analytics	
<b>Assurance Opinion Given</b>	Not applicable	
<b>Direction of Travel</b>	Not applicable	

<b>Results of Data Match</b>	
Number of insurance claimants with a surname match to the fraud database	577
Number of matches considered to be the same family on both databases after further investigation (after removing duplicates)	11
Number of cases where the council was obviously at fault so the claim wouldn't be fraudulent	7
Claims with a higher risk of being fraudulent	4
<b>Number of these claims where FBC or the insurers made a payment to settle the claim</b>	<b>0</b>
<p><b>Conclusion</b></p> <p>The insurance claim process is being effective in repudiating claims with insufficient evidence of the Council being at fault, which would make the risk of a pay out on a fraudulent claim low.</p>	



<b>Audit Title</b>	<b>IT Costs and Budgets</b>	<p><b>Overview of Subject:</b> ICT Costs are a significant part of the Council expenditure. The latest ICT strategy being implemented is changing our approach to IT procurement; moving away from investment in big infrastructure and moving to other solutions such as storage on the cloud.</p> <p>As a sister audit to the ICT procurement audit report, this project involved working with the accounting team to review if the nature of the ICT Strategy is being reflected in the way that the budgets are being set and how the actuals are being incurred.</p> <p>The review found that there were generally wider issues about making the spend on ICT (capital and revenue) more visible to the service so that the nature of ICT spend and the impacts of the ICT Strategy can be monitored. The findings were discussed with the Finance managers and the ICT managers and some actions were agreed to strengthen the current process.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Joint working project – Thematic review	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

**Proposed actions to further strengthen the current process.**

<b>Essential</b>	<b>Code Structure:</b> A new coding structure is to be introduced to improve the financial management information being produced on ICT revenue and capital expenditure. This will need to be rolled out the ICT officers and officers in other services who code ICT expenditure.
<b>Essential</b>	<b>Budget Setting:</b> Zero based budgeting to be used for setting the revised revenue and capital budgets for 2018/19 and base budget for 2019/20 to redefine what the expected expenditure is and how this will change over time.
<b>Important</b>	<b>Direct Coding:</b> Budgets and actuals of costs that are to be funded from the revenue account are to be set up as revenue in the first instance rather than be transferred at the year end, which is obscuring the management information.
<b>Important</b>	<b>Unclear Expenditure:</b> We have been making a payment to the County Council for a number of years and we need to be clear what the Council is getting for this service.
<b>Important</b>	<b>Software Costs:</b> The software licence budget was overspent in 2017/18. However, we are anticipating changes in licenses to lead to some costs increasing and some decreasing and we need to make these changes visible. It has therefore been agreed that an estimation of the software licence costs will be developed for 2018/19 and going forward each year
<b>Important</b>	<b>Management Information:</b> A better financial management report of ICT costs incurred by ICT services and also other services of the council is to be developed which will be reviewed as part of the budget monitoring processes.
<b>Important</b>	<b>Targeted Cost Reductions:</b> A number of projects are expected to result in cost reductions in ICT costs. These need to be forecast and built into future budgets.

<b>Audit Title</b>	<b>Mobile Phone Billing</b>	<p><b>Overview of Subject:</b> Staff mobile phone contracts are supplied to the Council by Vodafone costing approximately £50,000 a year. The mobile phone charges are billed on a quarterly basis through Vodafone Corporate online. The bills are managed centrally by the ICT Department. Each bill includes a summary of total charges for all phones, together with an individual breakdown of charges for each member of staff including the contract charge and itemised phone call, text message and data usage charges. This is broken further down into charges included or excluded from the individual contract.</p> <p>This audit looked at how the costs were being monitored and if there were any handsets with unusually high charges.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Thematic Review	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

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

<b>Important x2</b>	<p><b>Vodafone Bill Reports and monitoring of costs:</b> Mobile phones bills examined for a year highlighted that there was a high number of calls, texts and data charged for outside the contract allowance and these were not being picked up and challenged. The ICT department has now started a review of devices and whether the contracts match their usage requirements. They are also now going to use the automatic reports available through the Vodafone website to identify any high charges being incurred and liaise with the services to understand why.</p>
<b>Important x 2</b>	<p><b>User Information:</b> Users are not aware of the limitations of their mobile device contract i.e. they do not know when they are incurring charges outside of their allowance. The ICT department are now standardising the contracts so that the allowances are easier to understand and will require users to confirm they understand the latest Terms and Conditions of their mobile device contract on an annual basis.</p>
<b>Important</b>	<p><b>Contract Change:</b> The contract for the mobile device allocated to one employee had been changed as the data allowance did not appear adequate for their needs. However, the contract change provided a higher data allowance at a more expensive rate which is now not being used. The package will be changed to a more economical plan reflecting the current data usage.</p>
<b>Important x2</b>	<p><b>High Usage Team:</b> An analysis of the top 20 mobile device bills highlighted that one service's usage was consistently high. The manager of that service will now be provided with copies of the mobile phone bills relevant to the high users identified to examine the reason behind the costs. A review of the Mobile phone contracts will then be carried out for the service to ensure the current plans are adequate for the Team's requirements.</p>

<b>Audit Title</b>	<b>Council Tax &amp; Business Rates</b>	<b>Overview of Subject:</b> There are 49,000 Domestic properties and 3,000 Non-domestic properties within the borough subject to payment of Council Tax or National Non-Domestic Rates. Fareham Borough Council is the council tax collecting authority on behalf of Hampshire County Council, the Police and Crime Commissioner and the Hampshire Fire and Rescue service and retains approximately 10% of the income collected. Fareham Borough Council is the business rates collecting authority on behalf of the government, Hampshire County Council, and the Hampshire Fire and Rescue service and initially retains approximately 40% of the income collected.
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2015/16	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Not Implemented
Maintaining Property lists			-	-	-	-	-	-
Discounts Reliefs and exemptions			-	-	-	2	-	1
Billing, receipts and methods of payment			-	-	-	-	-	-
Recovery action and write offs			-	-	-	-	-	-
Policies and procedures			-	-	-	-	-	-
Setting of the Council Tax			-	-	-	-	-	-
Standing data and system recalculation			-	-	-	-	-	-
Systems Access			-	-	-	-	-	-
Refunds			-	-	-	-	-	-
Finance Strategy and New Homes Bonus Calculations			-	-	-	-	-	-

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

<b>Previous Important</b>	<b>Discount Reviews</b> – The monitoring records are not clear as to whether all accounts with discounts have been reviewed within a 2-year cycle.
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<b>Audit Title</b>	<b>Property Maintenance and inspections – Council Buildings (Non-Housing)</b>	<p><b>Overview of Subject:</b> Fareham Borough Council owns a variety of public buildings including sports pavilions, public conveniences, youth centres and community centres as well as the Civic Offices, the Depot and Ferneham Hall. FBC has a duty of care to staff and members of the public to maintain these building and keep them in a safe state of repair.</p> <p>In order to discharge this duty Fareham Borough Council employs its own Responsive Repairs Team to carry out repairs to both housing and non-housing buildings. In conjunction with this it also contracts with organisations to provide services where the internal team does not have capacity or the expertise required to undertake the job.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	OPINION - Service and Systems - High Risk	
<b>Assurance Opinion Given</b>	Reasonable	
<b>Direction of Travel</b>	N/A	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Roles and responsibilities			-	-	-	-	-	-
Recording of non-housing buildings			-	-	-	-	-	-
Asset Management Plan/Planned Maintenance Programme			-	-	-	-	-	1
Inspections			-	-	-	-	-	-
Responsive Repairs and Timeliness			-	-	-	-	-	-
Recharges			-	-	-	-	-	-
Fire Risk Assessments and Asbestos Surveys			1	-	-	-	-	-

**Proposed actions to further strengthen the current process.**

<b>Essential</b>	<p><b>Fire Risk Assessments:</b> Testing concluded that of the 34 non-housing properties requiring a Fire Risk Assessment, 5 that were the responsibility of Property services were outside of the 5-year review timescale. These were for buildings with a lower risk profile and plans are in place to get the risk assessments completed.</p> <p>11 non-housing properties are the responsibility of the Tenant, 2 of these were Bowls clubs that had not had a review since 2008 and no checks were being carried out on any of these properties to give FBC assurance that the tenants are meeting their contractual obligations. All other tenants will now be contacted by the end of November 2018 and then afterwards every 5 years to request their up to date Fire Risk Assessments.</p>
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**Proposed actions to further strengthen the current process.**

**Previous  
Important**

**Asset Management Plan.** There is still no documented Asset Management Plan or planned maintenance programme for the Authority's assets. The manager is reviewing what would best meet the needs of the organisation.

<b>Audit Title</b>	<b>Housing Grants and Home Improvements</b>	<p><b>Overview of Subject:</b> Funding for Disability Facility Grants is paid by the Ministry of Housing, Communities and Local Government to Hampshire County Council under the Better Care Fund. Hampshire County Council pass this over to the district councils as an annual grant allocation. The total amount awarded during 17/18 was £713,800. The purpose of the grant is to enable vulnerable individuals to stay living independently within their own home, preventing homelessness or moving unnecessarily.</p> <p>The Fareham BC Disability Facilities Grant Service is now part of the Environmental Health Partnership with Gosport Borough Council and is administered by Portsmouth City Council. Portsmouth receive approve and complete all applications on behalf of Fareham and invoice quarterly for the cost of Grants paid out plus an administration fee.</p> <p>FBC use to maintain a budget for Home Improvement Loans for Fareham residents on low income and for essential basic works to ensure their home is safe and warm. These are interest free loans that are repayable upon the sale of the property. 2017/18 was the final year that FBC administered the loans (5) and from April 2018 it moved to the Parity Trust.</p>
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	OPINION - Service and Systems - High Risk	
<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	Not Implemented
The Application process/proof of eligibility			-	1	-	-	1	-
Collection of Applicants Contributions			-	-	-	-	-	-
Contractor Invoice payment and approval			-	-	-	-	-	-
Works inspection			-	(1 as above)	-	-	-	-
Budget Monitoring and Control			-	-	-	-	-	-
Agreement with PCC			1	-	-	-	1	-
Portsmouth Home Improvement Agency			-	-	-	-	-	-
Appropriate use of contractors			-	-	-	-	-	-
Officer Conflicts of interest			-	-	-	-	-	-
Repayments			-	-	-	-	-	-
HIL - The Application process/proof of eligibility			-	-	-	-	-	-
HIL payments out			-	-	-	-	-	-

HIL Repayments FBC (past)			-	-	-	-	-	-
HILs Parity Trust arrangements (new)			-	-	-	-	-	-

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Essential</b>	There is currently no formal documented agreement with Portsmouth City Council for them to provide the DFG service. The Head of Service was aware of this and is progressing it with the new manager.
<b>Important</b>	All application files are scanned at the end of the works and stored electronically. However, some issues were found with the quality and completeness of the scan such that some gas and electrical certificates were not on the file. The Head of Service will monitor this issue, particularly the timing that the scanning is done.

<b>Audit Title</b>	<b>Parking Strategy and Income</b>	<p><b>Overview of Subject:</b> Fareham Borough Council levies parking charges for 14 Car Parks across the town area. Other car parks within the borough are not chargeable, although there are limits as to how long vehicles can be parked.</p> <p>At three of the parking locations, in the centre of town, the parking machines, are termed "Pay on Foot". These use ANPR technology to identify vehicles and entry details and issue a ticket. Details are retained to calculate charges to be paid to when validating the card prior to exit.</p> <p>A further eleven locations are Pay and Display locations, which require the driver to purchase a ticket for a determined length of time. These may also be subject to maximum stay periods.</p>
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	OPINION - Service and Systems - High Risk	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↓ 2015/16	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (E*)	Important (I)	Advisory (A)	Implemented	Cancelled	Not Implemented
Parking Strategy			-	1	-	-	-	-
Local Plan			-	-	-	-	-	-
Management of Parking Income			-	-	-	-	-	-
Management information reports produced			-	-	-	2	-	1
Budget Monitoring			-	-	-	-	-	-
Management of Machines			-	-	-	-	-	-
Blue Badge Swipe card management			-	1	-	2	1	1
Reconciliation of Parking Income			-	-	-	-	-	-
Management of £20 Refunds Float			-	-	-	-	-	-
Tesco Bond			-	-	-	-	-	-



<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	There is currently no up to date Parking Strategy and reliance is now being placed on the Local Plan and the Supplementary Planning documents to cover parking issues within the regeneration of the Civic area and the Market Quay area. These documents currently refer to the Parking Strategy, so need to be revised.
<b>Previous Important</b>	The parking pages had not been expanded to include information on how any surplus income from parking is used across the council towards the reduction of the Council Tax charge. This is a requirement of the Transparency Code. This information has been included in the Annual Parking Report for 2017/18 and the intention is to publish this on the website as part of the Transparency Code pages.
<b>Important</b>	Some problems were found with confirming that sufficient checks had been carried out on Blue Badge swipe cards applications to confirm the applicants name, identity and residency. However, the swipe card system is due to be phased out in 2019 and replaced with ANPR programming from source blue badge data.
<b>Previous Important</b>	There are no formal stock control measures in place for controlling blank swipe cards used for free Disabled parking. However, these cards are being phased out during 2019.

<b>Audit Title</b>	<b>Dog Control</b>	<p><b>Overview of Subject:</b> The Environmental Health Partnership provides the Dog Control Service for both Fareham Borough Council and Gosport Borough Council. Weaknesses were found with the controls in the processes used by the service and this audit followed up progress in implementing the agreed action plan.</p> <p>This audit was carried out by the Gosport Borough Council audit team and so is in their style. Although progress had been made only 2/8 of the actions could be signed off as implemented as the time of this audit. The Head of Service is now planning to carry out a vanguard style review of the processes to help identify how the weaknesses in the system are occurring and how the process can be improved. Resources are also going to be provided to the service to help set up a revised process of reconciliation.</p>
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	Follow Up	
<b>Assurance Opinion Given</b>	<b>Limited</b>	
<b>Direction of Travel</b>	↔ 2017/18	

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Stray Dog records</b> – Although the team had been briefed about inputting the records of stray dog’s cases on the management system at the time the call is received or after out of hours call outs, there were still cases where this had not happened making verification of invoices difficult. A new dog register screen has, however, been created and the team will again be briefed on its use and the importance to record all cases. Resources are now to be provided to the service to set up a system to carry out a 3- way reconciliation and where imbalances are found these will be followed up by the service to understand where the system is failing.
<b>Important</b>	<b>Checking kennelling invoices</b> – There had been an improvement on the checking carried out of the invoices being paid for kennelling fees. However, there were still cases on the invoices (11/17) where there was no record for the dog being invoiced (probably as it had not been created on the system). Resources are now to be provided to the service to set up a system to carry out a 3- way reconciliation and help identify where the system is failing to get records created on the system.
<b>Important</b>	<b>Checking kennelling costs are recharged to the dog owners</b> – There was an improvement in the number of kennel fees being recharged back to the dog owner. However, there were still a significant number that had not been recharged (17/33). Resources are now to be provided to the service to set up a 3- way reconciliation process and help identify where the system is failing to get invoices raised on the system. They will also be looking into whether a cost-effective method of collecting payment up front can be set up.
<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. Resources are now to be provided to the services to set this up.
<b>Important</b>	<b>Records of Receipt Books</b> – The department still needs to keep records of what receipt books they have been issued with and therefore which sets of receipts they are expecting income from. The service now intends to do this.
<b>Important</b>	<b>Procedure Notes</b> – There are 4 sets of procedure notes for the service which still have not been updated for a number of years and need updating, particularly for the processes that help with the financial controls. The service now intends to do this after the findings from the vanguard style review are understood.

**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.