

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 25 November 2019

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 the progress being made with delivering the audit plans.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- a) to approve significant interim changes to the internal audit plan and resource requirements;*
- b) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- c) to review updates on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit work.*

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 2019/20 AUDIT PLAN

2. 5/24 audits have been finalised in the current internal audit plan. Work has commenced on a further 11/24 audits: six have reached **Stage 4** (the Auditor has started to deliver the agreed scope of work), one is at **Stage 5** (A first draft of the report has been received by the Support Officer to be reviewed) and one is at **Stage 7** (An exit meeting has been held with the Sponsor giving preliminary feedback from the work).

FINALISING PREVIOUS AUDIT PLANS

3. The current status of the 12 audits remaining from the previous Audit Plans is detailed in Appendix One. The Out of Hours audit has now been finalised and the Land Charges audit has been superseded, with testing having been undertaken in the audit included in the current audit plan. Work has continued on a further three audits to get these to completion, three of which are now at **Stage 8** (The updated draft report has been received by the in-house audit team).

FINDINGS FROM COMPLETED AUDITS

4. The 5 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
Fuel System 2019/20	Strong	-	-	-
Local Plan 2019/20	Strong	-	1	-
Payroll 2019/20	Strong	-	-	1
Land Charges 2019/20	Reasonable	-	2	-
Out of Hours 2018/19	Reasonable	-	3	-
Safeguarding 2019/20	Limited	2	3	-

5. Detail of the areas covered, recommendations made and the actions to be taken is provided in Appendix Three.

RISK ASSESSMENT

6. There are a few risk considerations in relation to this report, arising from the Safeguarding audit that has only been given limited assurance. Details of the risks are given in Appendix Three.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2019/20 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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 11 March 2019 on the Internal Audit Plan 2019/20

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	Stage reached of 10*	Original Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
2014/15												
Information Governance Opinion	5	6										
Contract Completion	5	10										
2015/16												
Land Charges	Superseded	12	-	-	-	-	-	-	-	-	-	-
2016/17												
Daedalus Operating Contracts	5	12										
Leaseholder Charges	5											
Building Health and Safety Risks	5											
2017/18												
Commercial Estates	8	15										
Risk Inspections of Public Areas	4											
2018/19												
Out of Hours Service	10	12	Reasonable	No Previous Audit	N	-	3		-	-	-	-
Write Offs History Analysis & Interest charges	8											
Housing Options Debtors (EXTRA)	8											
Review of all other outstanding audit recommendations	1											

* A KEY TO THE INFORMATION IN THIS COLUMN IS GIVEN IN APPENDIX FOUR.

APPENDIX THREE

Findings from the Latest Completed Audits

Audit Title	Fuel System	<p>Overview of Subject: The depot is responsible for accepting deliveries and the distribution of fuel for vehicles across the Authority's services. In the last year approximately 340,000 litres of fuel was used by the Authority to fuel its vehicles which include lawnmowers, tractors and HGVs.</p> <p>A new fuel computer system was introduced around July 2018. It was implemented to enable management to better predict and manage their resources more effectively and monitor the access to fuel. This included the installation of new equipment to track fuel levels that would provide live information to staff members about fuel levels, usage and cost to the Authority.</p>
Year of Audit	2019/20	
Type of Work	Computer – System Change	
Assurance Opinion Given	Strong	
Direction of Travel	↑ 2011/12	
Errors Found	No	

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
IT system and database management			-	-	-	-	-	-
Access to Fuel			-	-	-	2	-	-
Fuel Limits			-	-	1	-	-	-
Reporting Functionality			-	-	-	-	-	-
Fuel Card Usage			-	-	-	-	-	-
Deliveries			-	-	1	-	-	-
Monitoring capability			-	-	-	1	-	-
Software Licenses			-	-	-	-	-	-
Analytical review of fuel usage			-	-	-	-	-	-
Management of Fuel Cards			-	-	-	-	-	-
Reconciliation of Fuel usage at the depot			-	-	-	-	-	-
Reconciliation of Fuel usage through the garages			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
None	

Audit Title	Local Plan	<p>Overview of Subject: Fareham as a Local Planning Authority is responsible under the Planning and Compulsory Purchase Act 2004 for identifying their strategic priorities and have policies to address these within their Local Plan documentation. A Local Plan is made up of strategic and non-strategic policies and sets out the plan for future development in the local area. It also guides decisions on whether or not planning applications can be granted.</p> <p>A review of the Local Plan (to take it up to 2036) is underway. The Authority has recently carried out a consultation on the issues and options surrounding the proposed Local Plan. The Local Development Scheme provides a timetable for the completion of this process with a current target of Winter 2021.</p>
Year of Audit	2019/20	
Type of Work	Services and Systems -High Risk	
Assurance Opinion Given	Strong	
Direction of Travel	↑2007/08	
Errors Found	No	

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
Governance Arrangements			-	-	-	-	-	-
Risk Management			-	-	1	-	-	-
Monitoring			-	-	1	-	-	-
Budget Setting & Monitoring			-	-	-	-	-	-
Consultation			-	-	-	-	-	-
Consultation Feedback			-	-	-	-	-	-
External Contractors			-	-	-	-	-	-
Neighbourhood Planning			-	1	1	-	-	-

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

Important	<p>Neighbourhood Planning - Local Planning Authorities are expected to provide support and guidance to designated Neighbourhood Planning Forums on the creation of Neighbourhood Plans. However, testing found that currently the Authority does not have a policy which details what support it will offer. This has led to staff being unsure of how to answer queries from forums. Conversely it may lead to forums having unrealistic expectations on the guidance they will receive. A review of this area is currently underway, and a policy will be published which will detail the support that the Authority will offer.</p>
------------------	---

Audit Title	Payroll and Employee Expenses	<p>Overview of Subject: The Authority operates four separate payrolls which includes Fareham Borough Council employees, Members, Election staff and Portchester Crematorium. Combined, these cover around 700 employees and cost the Authority circa £1.3million per month, including salary; pensions; tax; national insurance; and other liabilities.</p> <p>Finance and Human Resources use electronic systems to manage, reconcile, and process payments to employee's salaries on a monthly basis via BACS. There are also allowances that employees are entitled to, dependent upon their job role and specific training, which are additional to their salaries but included within the payroll functions.</p>
Year of Audit	2019/20	
Type of Work	Fundamental system	
Assurance Opinion Given	Strong	
Direction of Travel	↔2016/17	
Errors Found	No	

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
Basic Salary Calculations			-	-	-	-	-	-
Pay Variations			-	-	-	-	-	-
Payroll Run Control			-	-	-	-	-	-
Establishment Management			-	-	-	-	-	-
Interfaces			-	-	-	-	-	-
Allowances			-	-	1	6	-	1
Computer Aided Testing			-	-	-	-	-	-
Sickness			-	-	-	-	-	-
Honoraria Payments			-	-	1	-	-	-

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

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Previous Important	<p>Essential Car User Allowance – The current list of Essential Car Users (ECU) was compared with mileage claimed in 2018 to ascertain if employees were meeting the criteria to be eligible to receive the allowance. It was found a large % had claimed less than the required mileage needed for the allowance. Whilst employees can still be eligible for other reasons than number of miles travelled there was no evidence to suggest that the allowance was being monitored or removed when no longer required.</p> <p>As previously recommended, a process for regular review of allowances will be established to identify where allowances are no longer required and are then removed where necessary.</p>

Audit Title	Land Charges	<p>Overview of Subject: When homebuyers and developers purchase property and land, a series of checks are performed pre-emptively to ensure that any charges on the land are satisfied before any purchase or development can begin.</p> <p>The Authority provides a Land Charges search service to the public which gives details of any charges enforced on properties or land by the Authority itself or by Third Parties. This is a service Central Government intend to take control of, however the process of migration started in summer 2018 and there has been no update on when the transfer may occur.</p>
Year of Audit	2019/20	
Type of Work	Services and Systems - Other	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔2015/16	
Errors Found	No	

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
Register Uploads			-	-	-	-	-	-
Register Access			-	-	1	-	1	-
Fee Charges			-	-	-	-	-	-
Timescales			-	-	-	-	-	-
Procedures			-	-	-	-	-	-
Demand Analysis of the Types of Service Provided			-	-	-	-	-	-
Reduction in Income			-	-	-	-	-	-
Enforcement of Financial Charges			-	2	-	-	-	-

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

Important x 2	<p>Enforcement of Financial Charges – It was clarified that there are 5 types of financial charges: Community Infrastructure Levy; Section 106 agreements; Right to Buy; Environmental Improvement Works and Works in Default. Processes are in place to record these charges on the register. However, testing identified 2 properties which had searches logged after the charge had been registered indicating that the property had potentially changed owners. No proof of sale could be found for either property, so without further review it is not possible to say if the Authority was due any income on these properties. Additionally, due to the age of the charges, it was not possible to identify what the income due would have been. A process will be established to regularly identify financial charges that need enforcing with a view to retrieve income due to the Authority or to remove charges that the Authority is no longer able to pursue.</p>
----------------------	---

Audit Title	Out of Hours	<p>Overview of Subject: The Authority's Out of Hours service is responsible for dealing with incidents and enquiries from members of the public outside of the Authority's office hours, this includes evening, weekends and bank holidays.</p> <p>The Out of Hours service includes Corporate Standby, Housing Repairs/Maintenance, Environmental Health/Stray Dogs, Sheltered Housing and the I.C.T teams, all of which are entitled to claim back an allowance and overtime as a result of the unsociable hours worked.</p>
Year of Audit	2018/19	
Type of Work	Services & Systems - Other	
Assurance Opinion Given	Reasonable	
Direction of Travel	No previous audit	
Errors Found	No	

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
Claims for Expenses			-	-	-	-	-	-
Call out records			-	-	-	-	-	-
Standby rates claimed			-	1	-	-	-	-
Service scope			-	-	-	-	-	-
Payment Scheme Clarity			-	-	-	-	-	-
Call logs			-	-	-	-	-	-
External Payments			-	-	-	-	-	-
Management Oversight			-	-	-	-	-	-
Call out lengths			-	-	-	-	-	-
Equal Pay			-	-	-	-	-	-
Budget Coding			-	1	-	-	-	-
Corporate Standby Claim Monitoring			-	1	-	-	-	-

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

Important	Budget Coding – Testing found that the corporate standby costs are mostly being coded to the Housing Revenue Account, whereas some of the costs should be going to the General Fund. A review of cost codes will be undertaken to determine how corporate standby costs can be better attributed. On completion of the review this will be fed back to the Corporate Standby Team so that they can code their costs accordingly based on the nature of the call/call out.
Important	Corporate Standby Claim Monitoring - The Head of Building Repairs and Maintenance currently leads on the delivery of the corporate standby service but does not authorise individual claims, as these are authorised by individual line managers, and he is not provided with data on the overall spending. As a result of this finding the Business Transformation Officer will develop a reporting tool which can provide information on the Corporate Standby officer's monthly claims and allows for the interrogation of data.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Standby Rates - During testing it was not possible to evidence rates being claimed by employees as 2018's rates were no longer available. Going forward the Standby rates for previous years will be stored in a separate area so that historic rates are available for audit purposes.

Audit Title	Safeguarding	<p>Overview of Subject: Legislation places an obligation on all local authorities to safeguard all children, young people and vulnerable adults from harm, irrespective of ability, background, sexuality, lifestyle, religion or cultural beliefs. Safeguarding procedures should be in place to provide this protection, and all staff and members have a responsibility to be aware of the risks, how to identify issues and how to deal with them.</p> <p>Safeguarding is the responsibility of all Council staff, with the day to day support, with specialist roles by the Community Safety Team.</p>
Year of Audit	2019/20	
Type of Work	Services & Systems - Other	
Assurance Opinion Given	Limited	
Direction of Travel	↓ 2012/13	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Not Implemented
Policies and Procedures			-	-	-	-	-	-
Interaction with Safeguarding Boards			-	-	-	-	-	-
Photographic Consent			-	-	-	-	-	-
Staff & Officers training			-	2	-	-	1	-
Trainer credentials			-	-	-	1	-	-
Members training			-	1	-	-	1	-
Contractor Compliance with Safeguarding Policy			2	-	-	-	-	-

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

Essential x2	Compliance to Policy - Contractors – Testing found limited evidence that managers were checking the adequacy of safeguarding arrangements of their Contractors and ensuring that DBS checks had been carried out by the Contractor when required. A review will now be undertaken to improve the corporate awareness of responsibilities in relation to contractors
Important	Staff and Officers Safeguarding Training - Testing of the current list of members of staff showed that 35% had no record of undertaking the Safeguarding training, and 82% of those that did, had not had refresher training since 2014/2015. The current accessibility of the main online training module will be checked and refresher training will be organised including an appropriate platform for those members of staff without access to the online training available.
Important	Members Safeguarding training - Testing of the current population of 31 Members showed that records were held to confirm that only 35% of members have undertaken Safeguarding training in May 2019. A further training session is planned to 'mop up' the remaining members after the summer break. Attempts were made to identify whether members not in attendance at the latest training had previously attended any training. It was not possible to identify any earlier training records for those members. The responsibility for the

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	recording of attendance at safeguarding training is to be established.
Important	Recording of Staff and Members' Safeguarding Training - The recording of staff and members who have undertaken training needs to be reviewed corporately and a system put in place.

Reference Tables

1. Scale of Assurance Opinions

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 weakness 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

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 issued.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	A first draft of the report has been received by the Support Officer to be reviewed.
Stage 6	Any additional testing identified has been completed.
Stage 7	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
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.