

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 23 March 2020

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: -

- d) to approve significant interim changes to the internal audit plan and resource requirements;*
- e) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- g) to consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.**
- i) to receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.*

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- (a) notes the progress and findings arising from Internal Audit work; and
- (b) approves the close down of the older audits of Contract Completion and Leaseholder Charges and the issues are picked up in other areas of 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. Due to the work that was carried out supporting the roll out of the new Procurement and Contract Procedure Rules this year, it has not been possible to progress the next stage of the work which is to look at contract management. This work will therefore roll over to the next audit plan, leaving 23 audits in the current plan. 14/23 audits have been finalised in the current internal audit plan. Work has commenced on a further 8/23 audits, including 6 that are well into **Stage 4** (the Auditor has started to deliver the agreed scope of work), 1 at **Stage 5** (a first draft of the report has been received by the Support Officer), and 1 at **Stage 7** (an exit meeting has been held with the Sponsor). This leaves one audit (Anti- Bribery yet to start).

FINALISING PREVIOUS AUDIT PLANS

3. The 10 remaining audits from the previous Audit Plans are detailed in Appendix One. As requested by members, the plan of how to finalise these audits is provided in the table. Considerable work has been carried out to progress 2 audits (Housing Options and Risk Inspections) which should have reached the final stage by the next meeting. It is also proposed that 2 audits (leaseholder charges and contract completion) are now closed down and picked up as parts of other reviews.

FINDINGS FROM COMPLETED AUDITS

4. The 9 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
Treasury Management	Strong	-	-	1
Street Cleansing	Reasonable	-	1	-
Dog Control Follow up	Reasonable	-	1	2
Tenancy Management	Limited	-	4	3
Housing Rents	Limited	2	-	4
CCTV	N/A	-	-	-
Annual Testing of Procurement Decisions	N/A	-	11	-
Deceased Persons List follow up	N/A	-	5	-
Disabled Facilities Grants- Grant certification	N/A	2	1	2

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 Housing Rents and Tenancy Management audits that have 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 Elain Hammell. (Ext. 4344)

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	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	<p>Audit relying on Other completion of other Audit Work – Targeted for July This audit will be able to be closed down once the review of all outstanding audit recommendations is commenced and the extract relating to ICT audit recommendations can be produced to feed into the final summary. Some time has been set aside to complete this by the July Committee.</p>
Contract Completion (Opinion audit)	5	10	<p>Proposed Close Down of Audit at this point This audit involved testing a number of key controls against 17 contracts that had been completed. The draft report received on this in 2015 highlighted the following exceptions found during testing:</p> <ul style="list-style-type: none"> • Issues with managing contract variations and verifying the final contract sums (on 2 contracts) • Reporting of contract overspends to members in accordance with Financial Regulations (on 3 contracts) • Missing health and safety documentation as part of the hand over at the end of the contract in contravention of The Construction (Design and Management) Regulations 2015 (1 contract) • Missing Certificates of practical completion (1 contract) • Retention sums not released in accordance with the terms and conditions of the contract (2 contracts) • Contract documents not finalised (1 contract) <p>The in-house and external auditors who were involved in this review have since left their respective organisations, as has one of the key service managers who was audited at the time. The requirements under the Council's Financial Regulations and the Procurement and Contract Procedure Rules have also changed. It is therefore proposed that this audit is shut down at this point and the issues are covered by the proposed review of contract management.</p>
2016/17			
Daedalus Operating Contracts (Opinion audit)	5	12	<p>Proposed Audit for 2020/21 to supersede this audit The draft audit report in 2016/17 generally gave strong assurance in relation to these contracts, although there were a few minor areas of testing that needed finalising and feeding into the report. Some of these have since been picked up by the finance team. In the meantime, the nature of the operations at Daedalus have been expanded, and there have been changes in the FBC officers involved in estate management and financial support. It is therefore proposed to refresh this assurance with a new audit in the 2020/21 audit plan which will allow this audit to be closed.</p>
Leaseholder Charges (Wider piece of work)	5	-	<p>Proposed Close Down of Audit at this point This audit involved a collaborative review of the process, led by the relevant accountant. A number of the issues arising have since been addressed as part of other pieces of work, and many have fed into the business case for the new housing system. It is therefore proposed that this audit is shut down at this point and the issues are reviewed in an</p>

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
			opinion audit of the system post implementation as part of a future internal audit plan.
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources - September The draft audit report in 2016/17 generally gave strong assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report. It therefore proposed that the additional apprentice resources will be used to refresh the testing and fill in the gaps to allow the report to be finalised by the September Committee.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion - September The draft audit report in 2017/18 generally gave reasonable assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report, and some inaccuracies needed correcting. It therefore proposed that a revised draft report is still produced and discussed with the new manager of the service to allow the report to be finalised by the September Committee.
Risk Inspections of Public Areas (Wider piece of work)	4	-	Audit Targeted for Completion - July This is a large collaborative piece of work involving the insurance and audit teams which will culminate in a presentation to senior managers. A considerable amount of work has been carried out this year, including in recent months, to bring this work to conclusion and the resulting report and presentation are nearly completed. The team is now just refreshing the analysis to bring it up to date and then will be reporting back on their findings. We are targeting the report to be finalised by the July Committee
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion - September A considerable amount of work has been carried out on this audit which was fed into the changes proposed to Financial Regulations at the September Committee. There are some parts of the analysis that need completing and all the findings discussed at a manager's workshop before this work can be finalised.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion - July This second draft of this report has now been produced and is just waiting review and discussion with the service to allow the final report to be produced.
Review of all other outstanding audit recommendations (Wider piece of work)	1	-	Audit Targeted for Completion – November Little progress has been made on this large piece of work that has been outstanding for a number of years, although in the meantime some targeted follow up work has commenced. Resources will be focused on this work during 2020/21 rather than other wider pieces of work to allow this review to be completed.

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

APPENDIX TWO

RESULTS OF PLANNED ASSIGNMENTS 2019/20

Audit Title	Stage reached of 10*	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
FUNDAMENTAL SYSTEM AUDITS												
Payroll and Employee Expenses	10	15	Strong	↔	N	-	-	2	-	-	-	1
Housing Rents (NEW)	10	15	Limited	↓	Y	2	-	1	4	-	2	2
Banking	4	5										
Treasury Management (NEW)	10	10	Strong	↔	N	-	-	-	2	-	-	1
SERVICES & SYSTEMS – HIGH RISK												
Tenancy Management (NEW)	10	15	Limited	↓	N	-	4	-	4	-	2	1
Parks and Open Spaces	4	15										
Street Cleansing (NEW)	10	10	Reasonable	↔	N	-	1	1	-	-	-	-
Property Maintenance – Council Housing Voids	5	15										
Local Plan	10	10	Strong		N	-	1	3	-	-	-	-
SERVICES & SYSTEMS – Other												
Safeguarding	10	10	Limited	↓	N	2	3	-	-	-	-	-
Planning Advice	4	5										
Land Charges	10	10	Reasonable	↔	N	-	2	1	-	1	-	-
CCTV Control Centre (NEW)	10	10	N/A	N/A	-	-	-	-	-	-	-	-
COMPUTER AUDITS												
Fuel System	10	10	Strong	↑	N	-	-	2	3	-	-	-
BACS processing through Bottomline	4	10										
Recording of Sickness through the HR 21 system	4	10										
FOLLOW UP												

Findings from the Latest Completed Audits

Audit Title	Treasury Management Audit	Overview of Subject: Treasury Management is the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Each year a Treasury Management strategy, compliant with the Chartered Institute of Public Finance and Accountancy's Code of Practice, is produced, which outlines the Authority's approach to Treasury Management. In addition, mid-year and end of year reports are produced for Councillors. Cash flow monitoring is maintained to forecast cash in and outflows. This helps the Treasury Management service make informed investment and borrowing decisions.
Report Number	1173	
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
Policy & Strategy			-	-	-	1	-	-
Compliance with Strategy			-	-	-	-	-	-
Authorisations			-	-	-	-	-	1
Interest Reconciliation			-	-	-	-	-	-
Monitoring & Reporting			-	-	-	-	-	-
Cash Flow Monitoring			-	-	-	-	-	-
System Access			-	-	-	-	-	-
Treasury Reconciliations			-	-	-	-	-	-

Arlingclose Contract			-	-	-	1	-	-
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Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Previous Important	<p>Counterparty Decision Documents for Borrowing - During the last audit, testing highlighted that where new borrowing was undertaken by the Authority there was no record detailing the decision making and authorisation process. It was recommended that a document, similar to the Counterparty Decision Document used for investments, be created to provide an audit trail of borrowing decisions. It was confirmed, during the current audit, that this had not been implemented. However, since the completion of the audit, this document has now been created.</p>

Audit Title	Street Cleansing	<p>Overview of Subject: Local authorities have a statutory duty under the Environmental Protection Act (EPA)1990 to ensure public spaces and highways are kept free from litter and refuse as far as is reasonably practicable as detailed in the Code of Practice on Litter & Refuse 2013 – (updated 2019).</p> <p>The Street Cleansing Service maintains the cleanliness of all areas of the Borough, including dealing with litter, dog waste, graffiti, abandoned vehicles, and bulky waste. Where any issues are reported by staff or residents relating to the clearance of waste by the regular rounds, the details are reviewed and if necessary, a more frequent visit is scheduled.</p>
Report Number	1176	
Year of Audit	2019/20	
Type of Work	Services and Systems – High Risk	
Assurance Opinion Given	Reasonable	
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
Review of Street Cleansing Service. Compliance			-	-	1	-	-	-
Review of processes for specific operations.			-	-	-	-	-	-
Review of regular tasks - litter and dog waste			-	-	-	-	-	-
Comments and Complaints			-	-	-	-	-	-
Budgets			-	-	-	-	-	-
Recharging of costs			-	1	-	-	-	-

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

Important	<p>Recharging of Costs to other Departments – Requests are received by the Street Cleansing Service from other Departments within the Council on a regular basis for the clearance of waste. There are also regular street cleansing rounds of Council properties. However, no evidence of recharging costs was found for the services provided. A new system has been devised for the recharges which needs to be actioned at the end of the financial year.</p>
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Audit Title	Dog Control Follow Up	<p>Overview of Subject: 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>5/7 of the original important recommendations have now been signed off as implemented or no longer needed. In particular improvements were found in relation to:</p> <ul style="list-style-type: none"> The fee structure has been changed to make collection easier and to reflect the costs being incurred. Records were found to be created on the day that the report of a stray dog was received with the exception of reports made during an out of hours period; these had been recorded on the next working day. Invoices had been raised to recover costs from dog owners relating to statutory fees and kennelling costs where applicable. Fees, including method of payment and receipt numbers, were clearly recorded in the management system for all transactions checked. <p>Invoices received from kennels were being checked and cross referenced to dogs recorded on the system.</p>
Report Number	1185	
Year of Audit	2019/20	
Type of Work	Limited Opinion Follow Up	
Assurance Opinion Given	Reasonable	
Direction of Travel	↑2018/19	
Errors Found	No	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Previous Important	Procedure Notes – The Dog Control procedure notes had been partially updated since the previous audit, however, further work is required to document the Out of Hours procedures and amend the section relating to kennelling fees.
Previous Important	Reconciliation of fees – It was previously recommended that a monthly report for payments received and invoice numbers issued should be sent to the Environmental Health Partnership to enable them to carry out a full reconciliation of Kennelling fees. However, it has been agreed that the reconciliation will now be carried out by the Finance Department.
Important	Account Query – A local establishment used by the authority for the Kennelling of Stray dogs has not regularly invoiced the Authority regarding a number of strays. Further information is to be obtained to confirm the accuracy of the outstanding transactions before payment is made. Work is currently in progress to bring this to a satisfactory conclusion.

Audit Title	Tenancy Management	<p>Overview of Subject: Local Authorities have a statutory obligation under the Housing Act 2004 to provide housing to those in need, giving priority to the homeless and other vulnerable parties. The Authority currently manage over 2,000 tenancies. New applicants go through a needs assessment to be allocated a priority of which there are 4: low, medium, high and urgent.</p>
Report Number	1174	
Year of Audit	2019/20	
Type of Work	Services and Systems – High Risk	
Assurance Opinion Given	Limited	
Direction of Travel	↓2014/15	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Implemented	Previous Rec Implementation (E and I only)		
			Essential (⚡)	Important (▲)	Advisory (℞)		Cancelled	In Progress	Not Implemented
New Tenants			-	1	-	-	-	-	-
Tenancy Terminations			-	-	-	-	-	-	-
Monitoring of Tenancies			-	1	-	-	-	-	-
Maintenance of Housing List			-	-	-	-	-	-	-
Joint Tenancy			-	-	-	-	-	-	-
Tenancy Complaints			-	-	-	-	-	-	-
Transfer of Tenants			-	1	-	-	-	-	-
Debt Monitoring			-	-	-	1	-	-	-
Write Offs			-	-	-	1	-	-	-
Photo Identification			-	-	-	-	-	2	-
Void Properties			-	-	-	-	-	-	-

Mutual Exchanges			-	-	-	1	-	-	-
Tenancy Changes			-	1	-	-	-	-	-
Transfer Incentive			-	-	-	-	-	-	1
General Debtor Checks			-	-	-	1	-	-	-

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

Important	Allocation Decisions - During testing of new tenants it was highlighted that, although there was evidence to support the reason for allocating an applicant a property, there was a lack of evidence to support the consideration of all eligible applicants. Subsequently, if placed under scrutiny, the decisions may be difficult to justify. This issue was risk accepted by management on the basis that they are very rarely challenged on the housing allocation decisions they make and feel they could justify their decision if questioned.
Important	Monitoring of Tenancies - New tenants should be visited periodically in the first year of their tenancies. The observations made on these visits will help determine whether the tenant should become a secure tenant at the end of their first year. Testing found inconsistencies with the recording of visitations to introductory tenancies. A decision will be made to determine how visits to tenants are recorded, ensuring the process of monitoring tenancies is consistent and that there is evidence to support these visits.
Important x 2	Tenancy Transfers and Changes - When a transfer of tenancy takes place a transfer form should be signed by a manager. Testing found that a process was in place, but the management transfer form was not evident in some of the sample tested. When a joint tenancy becomes a single secure tenancy there should be a tenancy changes sheet stored in the tenant's file. Testing found limited evidence that a tenancy change sheet had been signed by a Manager to indicate a separation of duties. It will be reiterated that signed management transfer forms and tenancy change sheets are required to be stored on the tenants' files.
Previous Important	Transfer Incentive - The Authority operate a cash incentive to tenants who offer to downsize their property in order to make larger properties available to families in need. In the previous audit, it was recommended that information regarding this be published on the Authority's website to raise awareness. At the time of testing this had not been done but is due to be completed as part of a project, due to start in 2020.
Previous Important x 2	Photo Identification - The previous audit recommended that a copy of tenant's photo identification is scanned and stored on the file to confirm the tenant's identity and reduce the risk of tenancy fraud. Discussions found that the process had been implemented and that forms of ID are requested, as standard practice, during the sign-up process. This is subsequently scanned onto the electronic file. However, testing found that 3/10 introductory tenancies had no evidence of a Photo ID stored on the file. Further guidance will be communicated to ensure the process is followed fully going forward.

Audit Title	Housing Rents	<p>Overview of Subject: The Housing Rents is a large source of income for the Authority who receive payments for rent directly from tenants who reside in the Authority's properties. Payment is also received from Housing Benefit on behalf of those tenants that are eligible to receive it. Housing has had two restructures since the previous audit and works are currently underway to source a replacement IT system to manage tenancies.</p>
Report Number	1171	
Year of Audit	2019/20	
Type of Work	Fundamental System	
Assurance Opinion Given	Limited	
Direction of Travel	↘2016/17	
Errors Found	Yes	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
Calculation of Rent			-	-	-	-	-	-	-
Current Rent Arrears			-	-	-	-	-	-	-
Billing			-	-	-	-	-	-	-
Record Management			-	-	1	-	-	-	-
Refunds			-	-	-	1	-	-	-
Write Offs			1	-	-	1	-	-	-
Former Tenant Arrears			1	-	-	-	-	-	-
Credit Balances			-	-	-	-	-	-	1
Debt Monitoring			-	-	-	-	-	-	1
Separation of Duties			-	-	-	1	-	-	-
Transfers to Sundry Debt			-	-	-	1	-	-	-
Recommended Action Override			-	-	-	-	-	1	-
Balance Transfer between Tenancies			-	-	-	-	-	1	-

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

Essential	Write Offs - Testing highlighted that some write offs processed on the Housing Rents computer system were not recorded on the corporate authorisation write off document. It was determined that these errors occurred as a result of work completed by
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Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	<p>temporary staff in 2018, which had been inadvertently duplicated. These errors have now been resolved.</p> <p>Discussions revealed that there were a small number of users, with access permissions to create write offs, who could input and authorise their own write offs. There was no system barrier that stopped them from doing so; it is only policy and procedure that write offs require authorisation. Testing of write offs that had been requested under the current corporate process found that 10/10 of the sample had been completed with the appropriate authorisation before being actioned.</p> <p>A reconciliation process will be introduced, with immediate effect, to regularly compare the Write Off report from the computer system with the Corporate process, currently in place, to ensure all write offs are following the authorisation procedures.</p>
Essential	<p>Former Tenant Arrears - Discussions with officers and analysis of former tenant arrears data found that there was a misunderstanding between teams as to who should be leading on pursuing these debts since July 2018. Discussions have now taken place to establish responsibility and a process for pursuing debts to ensure that they are regularly reviewed. Work has also been carried out to review all the older debts and start the appropriate recovery action.</p>
Previous Important	<p>Credit Balances – Credit balances were tested to ascertain what action had been taken and whether these credit balances were subject to regular review. It was found that these credit balances were only reviewed when there was capacity to do so. Testing found that some of the balances had been stagnant since the tenancies terminated. The reasons for the credits were a mixture of the tenant overpaying their rent and prematurely ending their tenancy; or failure to cancel their direct debit once their tenancy had ended. Consideration will be given to expanding what type of accounts are reviewed along with the appropriate frequency of review. The service completed a review of the full list of accounts with credit balances at the time of the audit.</p>
Previous Important	<p>Debt Monitoring - No process had been made to redesign the debt monitoring process to better track the level of debts at each stage of the process. This is now scheduled for 2020 when the new Housing system is implemented.</p>
Previous Important	<p>Recommended Action Override – The Housing system recommends actions to carry out when a tenant falls into arrears. If this action is ignored by the Housing Officer a note should be made on the account explaining why. Testing found that 4/10 had been overridden by an officer without providing clarity on why the recommendation was ignored.</p>
Previous Important	<p>Balance Transfer between Tenancies - Where a tenant moves properties, any outstanding rent or associated debts should be transferred with the tenant and included in the new tenancy agreement. Testing found that 3/5 new tenancies selected did not include details of previous arrears.</p>

Audit Title	Procurement	<p>Overview of Subject: The Authority has introduced new Procurement and Contract Procedure Rules with effect from October 2019. This audit was carried out in accordance with the Rules which require that the Internal Audit team test a sample of suppliers above and below the prescribed significant value threshold on an annual basis. The findings were then reviewed in a wider context, along with the Procurement Team, examining the roll out and impact of the new rules. A presentation on the full review will be provided at the committee meeting.</p>
Report Number	1187	
Year of Audit	2019/20	
Type of Work	Corporate Assurance Work (Wider Work)	
Assurance Opinion Given	N/A	
Errors Found	No	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Financial tool - A new financial application tool has been introduced in order that all services can view the spend with their suppliers more easily. The training is being undertaken throughout the Authority. A small number of services had not received full training at the time of this audit. The training is programmed to be completed in the near future.
Important	Budget Monitoring - Budgets are monitored during the year by the Finance Department and Budget Holders should have regular meeting to discuss budget levels and provisions. Some Managers did not meet regularly with their Finance Business Partner. Where a Manager has the responsibility for an area of spend meetings will be held regularly based on the frequency and level of the spend.
Important	Cost Centre Responsibility – The responsibility for specific areas of spend are allocated to Directors, Heads of Service, and Managers. Some Officers have queried some of the budgets allocated to them. A system to review these exceptions will be carried out.
Important	Authorisation of Spend – As part of the audit a number of Officers who authorise spend were asked to verify that they were supplied with the appropriate information to justify the spend. Two instances were highlighted where inadequate information had been supplied. Authorisers will be reminded that they should obtain adequate documentation to support the spend before they authorise any requests.
Important	Market Testing – Where a supplier has been used for a number of years a degree of market testing should be carried out to ensure that the Authority is still obtaining value for money. Also, the Procurement Rules detail that local suppliers should be considered where possible. There were some instances where a supplier had been used for a period of time as the Department was receiving a

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	service that they perceived to be good value for money and appropriate for their needs. Services should test the market on a regular basis to verify whether an alternative supplier has appeared on the market that could be used resulting in further financial savings for the Authority.
Important	Local SME classification - A decision will be taken as to whether new supplier set up should be capturing the Head Office or a local satellite of the company when assessing whether it is a local small or medium enterprise (SME).
Important	Procurement Log – The database of procurement purchases should be expanded to capture whether a local SME was invited to tender as well as if the winning supplier was a local SME.
Important	Supplier Categorisation – A review of the supplier categories currently used on the finance system will be undertaken to allow easier analysis of the type of suppliers which are relevant to the local SME review. These categories will then be made available in the financial analysis tool.
Important	Capturing New supplier information – A review of the new supplier form process will be carried out to make sure that information is always being captured accurately, including when a supplier moves from temporary to permanent supplier status. This will be carried out as part of the implementation of the new finance system.
Important	Value for Money versus Risk and budget constraints – Further guidance is to be produced on how value for money of a purchase should be balanced against the budget available and the risk associated with that type of supply.
Important	Training – The next stage of training should be rolled out and focus on contract management and negotiation skills.

Audit Title	CCTV Control Centre	<p>Overview of Subject: A review of CCTV operations which fall within the remit of Gosport Borough Council (GBC) has been carried out as part of the GBC 2019/20 Audit Plan. As the CCTV Control Centre (Public Open Spaces Network) is delivered in partnership with Fareham Borough Council (FBC), the conclusions from the audit provide some assurances for FBC too.</p>
Report Number	1186	
Year of Audit	2019/20	
Type of Work	Systems review by partner's audit service	
Assurance Opinion Given	None Given	
Direction of Travel	Not applicable	
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
Public Open Spaces Fixed Network partnership arrangements			-	-	-	-	-	-
Inspection by Investigatory Powers Commissioner			-	-	-	-	-	-
CCTV signage for control room cameras			-	-	-	-	-	-
Roles, responsibilities and processes (including that privacy will be respected and appropriate access control arrangements)			-	-	-	-	-	-
Control room staff training and Security Industry Authority (SIA) Licensing			-	-	-	-	-	-
Data Protection Impact Assessment for Control Room			-	-	-	-	-	-
Police use of CCTV Images			-	-	-	-	-	-
Retention period for CCTV images			-	-	-	-	-	-
Secure Storage of CCTV Images			-	-	-	-	-	-

Audit Title	Deceased List Process Follow Up	<p>Overview of Subject: The Council is informed of deceased residents via various sources, including the Department of Work and Pensions 'Tell Us Once' service; Hampshire County Council; members of the public; relatives; and solicitors. In a review carried out in 2015 it was found that the different departments, within the council, dealing with deceased notifications were following a manually intensive system, which on occasion resulted in duplicated efforts, and some notifications that were not shared with other departments.</p> <p>This audit looked at ways of streamlining the processes and reducing the risk that Council correspondence is sent out in the name of a deceased person. Although only 1 of the original proposals were found to have been implemented, the review identified a revised approach that would still address the issues.</p>
Report Number	1190	
Year of Audit	2019/20	
Type of Work	Thematic Review	
Assurance Opinion Given	None Given	
Direction of Travel	N/A	
Errors Found	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important x 2	Internal Database and Notifications – The on-line notification database will be amended to capture all changes that have been notified to the council and used as the source to notify other departments of the deceased person. The requested amendments will be made to the notification form and a summary of the revised process will be published on the staff intranet, along with a link to the new form. Any team that receives a notification of death from any method, other than the automatically generated notification, will now complete the online form in order to notify all other departments and to record the death on the database.
Important	Sources of Information - There are other sources of information coming into the Council which do not get fed into the database listing that is sent to other departments, including the Hampshire County Council list of Fareham notifications, which is considered a more robust list. Therefore, the Hampshire County Council list of Fareham notifications will now be added to the online form that will be auto emailed to each of the required departments, as per the list of generic emails currently stored for every necessary department. The lead service nominated to carry out this task has been agreed such that other services no longer need to duplicate the task.
Important	Training - Managers will train their relevant teams on the new notification process if they are considered to be a main recipient of the notifications of a deceased person.

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

Important	Change in Circumstances Form – A similar process to the notification of deaths will be implemented for the change in circumstances, using a second online form, that covers any other change in detail for a customer, for example a change of address or name.
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Audit Title	Disabled Facilities Grants- Grant certification 18/19	<p>Overview of Subject: Funding for Disability Facility Grants is paid by the Ministry of Housing, Communities and Local Government (MHCLG) 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 Government also allocated additional Disabled Facility Grant funding directly to District Councils. The total amount awarded during 18/19 was approximately £780,000. 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>This audit involved carrying out the necessary checks to allow the grant allocation certificate to be returned to the MHCLG and following up any recommendations made in the 2018/19 systems review.</p>
Report Number	1189	
Year of Audit	2019/20	
Type of Work	Certification (wider work)	
Assurance Opinion Given	None Given	
Direction of Travel	N/A	
Errors Found	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Transfer and Retention of Files – Grant files are transported from Portsmouth City Council to Gosport Borough Council for scanning. There is a no checklist provided to ensure that all the files sent are received and scanned. A checklist is going to be introduced as a matter of priority to enhance the security of the transfer of data from one Authority to the other.
Essential	Budgetary Control and Monitoring - At the time of the audit the figures supplied by Portsmouth city Council did not agree to the reconciliation figures supplied to Fareham Borough Council. Further enquiries found that prepayments and accruals had not been included in the Portsmouth figures. A new approach has now been agreed to include the regular reconciliation and monitoring of the Disabled Facility Grant.
Important	Repayments – The audit reviewed the Fareham Borough Council Policy to not place a charge on any property subject to a Disabled Facility Grant; this means that if the property was sold within a ten year period following the issue of the grant the council would not be able to claim back any of the monies. This policy has now been changed and a system has been put in

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	place and as from 01/01/2020 Disabled Facility Grants will be logged on the Land Charges Register.
Previous Essential	Disabled Facility Grant Agreement – The previous audit noted that there was no formal contract between Fareham and Portsmouth City Council; this remains outstanding. This is being followed up by the Environmental Health Partnership.
Previous Important	Scanning and storage of Documentation – It was previously recommended that all Disabled Facility Grant files should be scanned and stored at the earliest opportunity. Two files out of a sample of 10 were not found to have been scanned to the appropriate location on the Authority’s computer system. One file was subsequently found awaiting to be scanned, and had been so for several months, however, the other file was not located. New procedures are to be introduced to ensure that files are recorded and scanned promptly.

APPENDIX FOUR

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.