

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 14 March 2022

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 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.*
- d) 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 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.
2. The service has been affected by some loss of resources due to sickness and the recent retirement of the Senior Audit and Fraud Analyst. Also, additional work arising from the pandemic continues to have an impact on the delivery of the Internal Audit Plans.

However, we are on track to deliver sufficient work to support the Annual Audit Opinion.

PROGRESS OF THE 2021/22 AUDIT PLAN

3. Due to the other priorities of the audit teams and the services being audited, including continued response to the challenge of the pandemic, we have now agreed to postpone the following audits:
 - Contract Management
 - Anti-Bribery Arrangements
 - Housing System – post implementation review
 - Service charges and recharges – Leaseholders
 - Vehicle Maintenance ordering, invoice management and stock control
4. However, following additional pieces of work have been added to the plan:
 - Previous recommendation follow up (selected 25 actions)
 - Revenues system migration to the Cloud
5. There are still 11 opinion audits in this year's plan. Work has commenced on all of the audits, 7 have been finalised (stage 10), 1 of the audits is at the draft report review (stage 5), with a further 2 where the scope of work is being delivered (Stage 4).
6. There are also 10 wider pieces of work we still intend to use for this year's opinion, 2 of which has already been finalised and another 3 at the draft report stage.

FINALISING PREVIOUS AUDIT PLANS

7. Updates are given for the 6 remaining audits from the previous Audit Plans as detailed in Appendix One. In particular progress is being made to close down the Commercial Estates audit which will be ready by the next meeting.

FINDINGS FROM COMPLETED AUDITS

8. The 4 final reports that have been issued since the last report 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
Fixed Assets	Strong	-	-	1
Local Taxation	Strong	-	1	1
Parking charges	Reasonable	-	1	-
Sheltered Housing	Reasonable	-	7	1

RISK ASSESSMENT

There are no significant risk considerations in relation to this report.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two – Audits in the 2021/22 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 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 12 July 2021 on the Internal Audit Plan 2021/22

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	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	Audit relying on completion of other Audit Work – Now Targeted for July 2022 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. This has been delayed until the 2022/23 plan.
2016/17			
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources – July 2022 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 was originally proposed that the additional apprentice resources would be used to refresh the testing and fill in the gaps to allow the report to be finalised. However, due to other priorities it has not yet been possible to start this work. There has been some discussion of the topic as part of the risk management review which has again provided some assurance on the management of these risks.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion – Work in Progress targeted for July 2022 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. In the meantime, some of the issues have been addressed by the Finance Service. It is 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 July Committee.
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion – Now targeted for September 2022 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 2020 Committee. There are some parts of the analysis that need completing. Some subsequent testing has been picked up in the 2020/21 audit of Account Receivable. We have also started to discuss the results with managers and improve on some processes. This will also be picked up in the implementation of the new finance system and new service resources are now in place to assist with the actions arising from the review.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion – Now targeted for September 2022 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. Some interim discussions have taken place.

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
Review of all other outstanding audit recommendations (Wider piece of work)	4	-	Audit Targeted for Completion – September 2022 There has been some progress on this project following the work carried out in 2020/21. We are also targeting 2 large groups of recommendations as part of planned work in 2021/22 (finance team's recommendations and vehicle purchasing). Work on the finance team recommendations is also underway and is being delivered alongside the review of the new financial system.

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

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Commercial rents and the Covid response	Not Planned		-	-	-	-	-	-	-	-	-	-
Information flow in the Business Rates team	Not Planned		-	-	-	-	-	-	-	-	-	-
Social Media Monitoring by services Follow Up	Not Planned		-	-	-	-	-	-	-	-	-	-
Sheltered housing safe spot checks	4	6	-	-	-	-	-	-	-	-	-	-
Pre-application advice cost comparison to income	Not Planned		-	-	-	-	-	-	-	-	-	-

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

APPENDIX THREE

Findings from the Latest Completed Audits

Audit Title	Fixed Assets	<p>Overview of Subject: The Fareham Borough Council Asset Register details approximately 3,500 assets, across a range of classes. These range from significant economic assets, for example the Faraday Business Park to sea defences and solar panel installations. The Council is also a major housing provider in the Borough, with 2,384 mostly wholly owned properties identified in the Asset Register (there are a small number held under shared ownership arrangements). As at the 31st March 2021 the total net book value of all the Council's assets was approximately £225 million.</p>
Report Number	1223	
Year of Audit	2021/22	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	↔2018/19	
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
Policies and Strategies			-	-	-	-	-	-
Monitoring of financial data, including balance sheet valuation and depreciation			-	-	-	-	-	-
Deeds and Insurance			-	-	-	-	-	-
Asset Register Maintenance			-	-	-	-	-	-
IT System			-	-	-	-	-	-
Disposals			-	-	-	-	-	-
Asset Management Plan/Asset Maintenance Programme			-	-	-	-	-	1

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

Previous Important

Asset Management Plan – The current Asset Management Plan continues to be reviewed. Specific areas are being examined during 2022/23 these include Leisure Buildings, Public Toilets, Car Parks and the Civic Offices.

Audit Title	Local Tax Collection	<p>Overview of Subject: Fareham Borough Council collects Council Tax and National Non-Domestic Rates (NNDR) from residential accommodation and non-residential properties respectively as contribution to the maintenance and upkeep of essential services within the Authority. The elements of the charge which do not fall under Fareham Borough Council provided services are informed to the council for inclusion in their annual bills.</p> <p>The Council Tax charge calculated across the Authority is based on a Council Tax Band D property and all charges for other bands are calculated from there. All residential and non-residential properties are provided with an annual bill, broken down to each of the different elements, the bill also provides information on various payment options.</p> <p>There are 50,393 domestic properties and 3,383 non-domestic properties within the Fareham Borough. A significant number of accounts are subject to various reliefs, discounts and exemptions.</p>
Report Number	1221	
Year of Audit	2021/22	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	↔2018/19	
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
Setting the Council Tax			-	-	-	-	-	-
Maintenance of Property Lists			-	-	-	-	-	-
Discounts Reliefs and Exemptions			-	-	-	-	-	1
Billing and Receipts			-	-	-	-	-	-
Amendments to Standing Data			-	-	-	-	-	-
Recovery Action			-	-	-	-	-	-
Appeals			-	-	-	-	-	-
Write Offs			-	1	-	-	-	-
System Access Controls			-	-	-	-	-	-

Precept Arrangements			-	-	-	-	-	-
Management Policies and Procedures			-	-	-	-	-	-
Reconciliations with the General Ledger			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Write Off Delays Due to COVID-19 the Local Taxation Team had to prioritise additional work and therefore some accounts put forward for write off had not been actioned. It is anticipated that write offs will be brought up to date by the end of the 2021/22 financial year.
Previous Important	Discounts, Reliefs and Exemptions It was previously recommended that a monitoring record should be developed in order that managers could monitor progress in of the completion of the reviews in relation to discounts, reliefs and exemptions. Whilst the monitoring record is now being used there has been a delay in the processing of the reviews as the priority has been to allocate resources to the delivery of the COVID related business grants. The reviews will be prioritised in the early part of 2022/23.

Audit Title	Parking charges	<p>Overview of Subject: The responsibility for on street parking resides with Hampshire County Council. The COVID-19 pandemic significantly affected car parking income. Under loc down restrictions Central Government made parking free to key workers. Because of the issues around identification of key workers all car parking was free between 25th March and 1st June 2020. Free parking was limited to NHS staff only from June 2020 to October 2020 and then to hospital-based staff only, until March 2021 when all free parking concessions ceased. The loss of income was estimated to be just over £300,000.</p> <p>A report to the Executive in September 2020 proposed that FBC started to charge for parking in the Borough's coastal car parks. This was implemented in 2021/22.</p>
Report Number	1226	
Year of Audit	2021/22	
Type of Work	Services and Systems - High Risk / Corporate project	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔2018/19	
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
Collection of Income			-	-	-	1	-	-
Reconciliations of Takings			-	1	-	-	-	-
Season Ticket Administration			-	-	-	-	-	-
Monitoring and reporting of income			-	-	-	-	-	-
Electronic Parking Permits			-	-	-	-	-	-
Introduction of Coastal Car Parks			-	-	-	-	-	-
Coastal Car Parking Machines			-	-	-	-	-	-

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

Important

Season tickets - Testing found that there was limited documentation held to support administration of coastal parking season tickets. Testing also noted that there was no mechanism in place to cross match season tickets issued by the car parking computer system to the council's finance system. The Finance Team has agreed to liaise with the Car Parking Team to find a suitable method to enable effective reconciliation of the coastal season tickets.

Audit Title	Sheltered Housing	<p>Overview of Subject: The Council owns 26 Sheltered Housing Schemes. The service provides accommodation for people who are aged 60 or those over 55 who require supported need. Six of the Schemes have an on-site Sheltered Housing Officer (SHO) and communal facilities. The remaining 20 Schemes are attended by mobile SHO's.</p> <p>The Council charges the tenants for some services provided in addition to their rents. The charges made to tenants include a management element for the warden service (which is eligible for Housing Benefits) and a support element (not eligible for Housing Benefit). In 2021/22 the Council levied charges totalling £428,900 for the Sheltered Housing Service and a further £98,700 for the Support Element.</p>
Report Number	1225	
Year of Audit	2021/22	
Type of Work	Services and Systems - High Risk	
Assurance Opinion Given	Reasonable	
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 (ℙ)	Implemented	Cancelled	Not Implemented
New Tenant Placements			-	-	-	1	-	-
Fees and Charges (Excl Service Charges).			-	1	-	1	-	-
Supervision & Management of Residents, Managers, Mobile SHO's and Cleaners.			-	-	-	-	-	-
Building Security			-	1	-	-	-	-
Daybook / Register Records			-	-	-	-	-	1
Complaints Procedures and Records			-	-	-	-	-	-
Expense Claims			-	-	-	-	-	-
Equipment Records and Stock Checks			-	1	-	-	-	-
Fire Logs / Tests/ Checks			-	-	-	-	-	-
Logs of Personal Safety Test Checks			-	1	-	-	-	-
Security Arrangements in Place			-	3	-	-	-	-

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

Important	Fees and Charges – Testing of income collected at the sheltered housing schemes highlighted a small number of discrepancies. It was agreed that a standard approach would be implemented across the schemes to record the income received for services such as guest room lettings and fees for keys and fobs.
Important	Scheme Security – Entry to the Sheltered Housing Schemes is by the use of a code. To ensure that the safety of residents is enhanced, a new system is being installed whereby staff and authorised visitors will be required to provide two random characters of a password each time they visit the scheme. It was agreed that the password will be changed at least twice a year and when a member of staff leaves. The replacement entry system was being implemented across core schemes at the time of the audit.
Important	Equipment Checks – Testing of the inventory of equipment held at the Sheltered Housing Schemes revealed that it was not clear when checks had been carried out on a small number of items detailed. Checks on the inventory have already been started with completion targeted within the next 6 months.
Important	Fire Policy – During the audit discussions were held with the Sheltered housing Officers and it was concluded that awareness of the Fire Policy should be more visible. The policy will be further communicated to staff and residents to ensure that they are fully aware of the procedures to implement should a fire break out at any of the schemes.
Important	Scheme Safes – The Sheltered Housing Handbook does not clearly state the frequency and the requirement to change individual safe codes should a member of the scheme staff leave the employment of the Council. In addition, instances were found where residents effects were being held in the safe or monies collected for scheme activities were being held in a locked drawer. The handbook is in the process of being updated and it was agreed that the relevant information would be revised to clarify when the safes codes should be changed and differentiate between what should be kept in the scheme safe and what should be the tenant’s responsibility for safekeeping.
Important	Security of Residents Data – Resident’s data is held as a paper copy as well as electronically. As soon as the new Housing Management computer system is implemented the holding of resident’s data in paper form will be discontinued thereby ensuring a higher level of data security.
Important	Security of Sheltered Housing Officers – Those Officers who are required to carry out lone working are being provided with a lone working device which provides a tracking facility and incorporates a panic button. To ensure that all relevant officers are making full use of their device it was agreed that a usage report would be obtained and checked on a regular basis.
Previous Important	Guest Room Lettings – It was previously recommended that guest room booking forms should be completed and lettings should be recorded in the scheme daybook. Testing found that a sample of forms had not been entered in the daybook and two instances where incomplete information had been recorded. Sheltered Housing Officers will be reminded of the relevant guidance in the handbook and the importance of maintaining accurate records around guest room bookings.

APPENDIX FOUR

Reference Tables

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.

1. 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.

2. 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.