

## Summary of Key Audit Findings for Quarter 4 2021/22

### Private Sector Housing Assistance Grants

- 1.1. The Council's Private Sector Housing Assistance (PHSA) Grant programme is provided to financially assist vulnerable homeowners with repairs and home improvements, especially where this benefits health or allows people to remain in their own homes. A total of £1.19m was awarded, across the range of available grants, to eligible participants during 2020/21.
- 1.2. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - An effective and robust control process, including policies and procedures, is in place for awarding PSHA grants to eligible residents.
  - The process ensures that grant requirements are complied with.
  - Arrangements for selecting contractors and monitoring of quotes are transparent and there is a robust process in place.
  - Accurate and detailed grant information is held and reported on to ensure grants have been correctly categorised, charges are registered on the property (where applicable) following an award, and that repayments are correctly recorded.
- 1.3. Whilst there is an effective process in place for awarding and verifying the eligibility of PSHA grants and ensuring grant conditions are complied with, our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **partial assurance**.
- 1.4. In response to this audit, an action plan was agreed with management that included measures to:
  - Work with the Legal Department and Procurement Team to ensure that all paperwork issued for Disabled Facilities Grants (DFG) clearly defines the roles and responsibilities of the Council, the applicant and the contractor.
  - Determine options available to enable applicants to make an independent and informed decision on their choice of contractor. This action will be kept under review to confirm its effectiveness and efficiency, whilst also ensuring compliance with the Council's internal procurement rules and procedures.
  - Analyse repaid grant awards, from Land Charge receipts, to determine historical DFG repayments and pay these to the DFG Capital budget. In addition, a process is being developed between Finance and the Environmental Health and Licensing Team to ensure DFG repaid grants are processed in accordance with the West Sussex County Council (WSCC) policy.
- 1.5. A follow up audit will take place in 2022/23 to ensure that the agreed actions have been implemented.

## Corporate Compliance (Environmental Health and Licensing)

- 1.6. The Environmental Health and Licensing Service fulfils a number of distinct roles. Functions which fall under the remit of Environmental Health and Licensing include areas such as: business food hygiene inspections; environmental protection and pollution; taxi/private hire licensing; and premises and alcohol licences.
- 1.7. The purpose of the audit was to ensure that the service is delivered effectively, in compliance with all appropriate Council policies and procedures, and to provide assurance that controls are in place to meet the following objectives:
- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness.
  - All key activities undertaken by the team are conducted in accordance with the Council's policies and procedures and comply with basic internal controls.
  - To ensure that expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.
  - Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision.
- 1.8. Our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **partial assurance**. In response to this audit, the following actions were agreed with management, these included:
- A register for departmental risk assessments will be created and will be reviewed and approved by the Head of Service.
  - An Information Asset Register will be completed, approved and regularly reviewed.
  - Team Leaders will be reminded to complete and record all 1-2-1's on the HR system TechnologyOne (T1), and this will be included as one of their performance objectives.
  - All staff will complete their declaration of interest submissions, these will be approved by the appropriate manager, and the submissions will be reviewed by the Head of Service to ensure they are complete.
  - Officers will be reminded to complete and submit the appropriate driver documentation to ensure they are eligible to undertake business travel.
  - Further low risk actions were also agreed relating to sickness absence recording, purchase card receipts and budget monitoring.
- 1.9. A follow up audit will take place in 2022/23 to ensure that the agreed actions have been implemented.

## Capital Programme

- 1.10. The Council operates a Medium-Term Financial Plan (MTFP) which outlines the fiscal strategy and expectations for a four-year period. The Capital Programme requires approval by the Full Council, in conjunction with both the Annual Revenue and Capital Budgets. The

Capital Programme Budget details anticipated financing requirements, and outlines the phasing of expenditure and the sources of financing over this period. The Council's MTFP Capital Programme for 2021/22 to 2024/25 forecasts a total of £26.8m capital investment, with £10m planned for 2022/23.

- 1.11. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- The Capital Programme, Strategy, Plan and Budget have been formally documented, and approved by Members.
  - The Capital Programme is based on realistic costs, timescales and/or realisable benefits.
  - Effective governance arrangements ensure that the Capital Programme delivers the required outcomes.
  - The Council critically assess its capital borrowing requirements.
  - The Council understands and meet the conditions of external funding providers.
  - Capital receipts are received in a timely manner.
  - The Capital Programme monitoring arrangements are effective and timely.
  - Capital activity is accurately reflected in the financial accounts.
- 1.12. Based on the audit work undertaken we were able to provide **reasonable assurance** over the controls in place. The governance arrangements are robust; the Capital Programme is approved by Members; and roles and responsibilities have been appropriately assigned and are known. The Council's plant, property and equipment is accurately documented in the asset register, and the Capital Programme is accurately reflected in the Council's financial system. However, the process could be strengthened further, as agreed with management and included:
- Finance Officers actively addressing overruns by liaising with project managers, on an individual basis, and encouraging them to spread their forecasts over a longer period where appropriate.

### **Accounts Payable**

- 1.13. Accounts Payable (AP) is an account within the General Ledger (GL) that represents the Council's obligation to pay off a short-term debt to its creditors or suppliers. The Finance Team is responsible for the processing of payments to suppliers using the Council's financial system, TechnologyOne (T1). Between 1 April 2021 and 15 December 2021, 7,453 invoices with a total value of approximately £106m had been paid, for goods received or services rendered.
- 1.14. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Orders are raised for goods, works and services for bona fide services in accordance with standard financial procedures and the needs of the Council.

- All payments (including non-order invoices, cheque requisitions and urgent payments where appropriate) are subject to review and approval to ensure payments are valid and goods, works or services have been received and are correctly processed.
  - Payment runs are subject to appropriate review and authorisation.
  - Only creditors that meet the needs of the Council and that do not already exist in the Accounts Payable system are set up. All creditors' details are maintained accurately in the Accounts Payable system.
  - Transactions in the Accounts Payable system are completely and accurately transferred to (or reflected in) the General Ledger (GL).
- 1.15. Based on the audit work undertaken, we were able to provide an opinion of **reasonable assurance**. The AP system is well controlled, and the service operates to a high level of accuracy with no material processing errors identified. Urgent payments are processed in a timely manner and are appropriately authorised. Approver authorisation limits are subject to regular review, and regular reconciliations between the GL and AP system are undertaken with variances being investigated. Areas were identified in order to improve the overall controls in place and management agreed the following actions:
- Training will be provided to staff to ensure purchase orders are not split in order to circumvent authorisation limits.
  - Regular reminders will continue to be sent to staff to ensure all undisputed invoices are processed and approved within agreed payment terms.
  - A third-party supplier will be engaged to undertake a one-off check for duplicate payments during 2022/23.
- 1.16. In addition, we identified that there is no enforced separation of duties operating within the payment and BACs release process which increases the opportunity for fraud. This risk has previously been, and continues to be, accepted by the Senior Leadership Team and management due to the limitations arising through having a small Finance Team and being unable to appropriately enforce separation of duties. However, weaker compensatory controls have been put in place to reduce the risk.
- 1.17. As reported previously, the planned roll-out of purchase order training was significantly delayed due to Covid and the requirement to work from home. Now that staff are returning to the office, this training will resume in the current year.

### **Accounts Receivable**

- 1.18. The Accounts Receivable function is responsible for ensuring that all income due to the Council is collected effectively and efficiently, banked promptly, and is correctly accounted for. Between 1 April 2020 and 31 March 2021, 32,093 invoices were raised to a value of £22.998m, offset by 952 credit notes, with a total value of £1.225m.
- 1.19. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- All income generating activities are identified and accurately raised to customers.

- A customer account maintenance process is in place and operating effectively.
- Amendments to invoices are correct and authorised.
- Collection and debt recovery is managed efficiently and effectively, and resources are focused on areas of priority debt.
- Write-offs are processed accurately and correctly authorised.
- Payments are received and recorded against the correct debtor account in a timely manner.
- Reconciliations between the Accounts Receivable system and the General Ledger are undertaken on a regular basis.

1.20. As a result of our work, we were able to provide **reasonable assurance** over the controls in place. We found that most controls were operating as expected and we did not identify any high-risk issues. However, our testing did highlight that there were opportunities to strengthen the process further:

- Officers will be reminded that invoices should not be raised below a defined value as stated in the Council's Sundry Debt Policy.
- Reminders will be sent to encourage officers to promptly and accurately invoice and retain evidence supporting the debt.

1.21. An action plan was agreed with management to address our findings and make the necessary improvements. In addition, a number of low-risk findings were discussed with the Head of Finance and Performance, who was aware of these and confirmed that a yearly reminder will be issued to officers to ensure the correct practices are undertaken in relation to the accounts receivable process.

### **Horsham District Homes (Operations and Transactions)**

1.22. Horsham District Homes (HDH), and its subsidiary company Horsham District Homes (Holdings) (HDHH), is an affordable housing company. HDH is separate from Horsham District Council (the Council), however, the Council wholly own it and it is led by Council officers who have been appointed as Directors. HDH was developed to buy, manage and maintain affordable housing across the district, in order to meet the Council's strategic objectives to: increase delivery of affordable housing; make the best use of Section 106 Commuted sums; and provide a financial return to the Council for reinvestment in the District.

1.23. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- HDH policies and procedures are appropriate in order to ensure that all requirements outlined in the Shareholder Agreement are adhered to and met.
- Financial expenditure and income are accurately recorded, monitored, and reported.

1.24. At the time of our review, HDH was in the early stages of operations, and activities had been postponed due to the COVID-19 pandemic. Therefore, where some elements had not

progressed, we were unable to test these. Our coverage for these elements was therefore limited to discussions with management.

- 1.25. Based on the work performed, we were able to provide an opinion of **reasonable assurance** over the control environment for the operations and transactions of HDH. The approved Shareholder Agreement between the Company and the Council is in place and defines the requirements of the Company's operation; decision making goes through appropriate channels; and financial expenditure and income are accurately recorded and reported.
- 1.26. However, one action from the 2019/20 governance review of HDH was outstanding regarding the introduction and approval of the Conflict of Interest Policy, which was raised with and agreed by the Company Directors. In addition, opportunities to strengthen controls further were identified, including the need to ensure:
- The Resource Contract between HDH and the Council is finalised and agreed by all parties.
  - HDH and HDHH have a full set of procedure documents for its unique operations where those procedures adopted from the Council do not completely fulfil HDH requirements, for example, a Debt Recovery Policy.
  - Appropriate segregation of duties are in place within the HDH and HDHH processes.
- 1.27. An action plan has been agreed with management to address the finding raised.

#### **Economic Development - Strategy & Grants**

- 1.28. The Council's economic vision is set out in the Horsham District Economic Strategy 2017-2027. Since the approval of the strategy, the economy has been impacted by the COVID-19 pandemic. In November 2020, the Department for Business, Energy, and Industrial Strategy (BIES) introduced the Additional Restrictions Grant (ARG) to support the local economy during the pandemic. In addition, ARG money that is not required for the Discretionary Business Grant Scheme is eligible to be used to fund other projects that encourage the restart of businesses and support the objective of returning to a thriving local economy following the pandemic.
- 1.29. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- There are appropriate mechanisms and key performance indicators in place to assist the department in measuring progress against the Economic Strategy.
  - The Council's Economic Strategy 2017-2027 is periodically reviewed to consider the impact of the COVID-19 pandemic and the recovery of the local economy.
  - The use of grant funding and external funding is monitored to ensure that monies are used as intended.
  - An effective and robust control process is in place for awarding grants and utilising external funding.
  - Accurate and sufficiently detailed information is held to evidence that grants and external funding have been correctly awarded/allocated.

- Business cases for ARG funding are reviewed and approved by the Director of Corporate Resources.
  - ARG spend on additional projects is regularly monitored and over or underspends are reported as appropriate.
- 1.30. In providing an opinion of **reasonable assurance**, we found that guidance, procedures and processes are in place regarding all grants that stipulate conditions and how these are being met. In response to this audit, the following actions were agreed with management, these include the need to:
- Review, update and approve all performance indicators.
  - Obtain written confirmation of the approval of the updated Economic Development Strategy, which contains amendments following the COVID-19 pandemic.
  - Create a panel sheet template, that will be used by the Independent Appraisal Panel, that captures all relevant information in relation to LEAP grant payments, including the decision made and approval of this by the Panel.

### **Bulky Waste Collections**

- 1.31. Bulky waste is a chargeable, statutory service administered by the Council. Residents can book kerbside collections of large household items they wish to dispose of. Although, this is a statutory service the Council is able to charge for the transportation costs incurred. This service was contracted to and administered by Horsham Matters, however, the service was taken back in-house by the Council in April 2020.
- 1.32. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- There are effective and comprehensive policies and procedures in place that reflect relevant legislation and are robust to meet the objectives of the service.
  - There are appropriate financial controls in place to ensure monies due for large item collection services are received.
  - Items collected are disposed of safely and in accordance with the scheme requirements.
- 1.33. Based on the audit work undertaken, we were able to provide an opinion of **reasonable assurance** over the controls in place. We found that most controls were operating as expected as the disposal of bulky waste items are undertaken in compliance with regulations. In addition, the setting, reviewing and approval of fees is clearly defined; each collection booked has a unique reference number; and the scheduled collection of bulky waste items utilises resources efficiently. There were some areas identified where improvements could be made in order to strengthen the control environment, these included:
- Documenting policies and procedures for the bulky waste collection process.
  - Developing performance indicators for the service to measure their performance against meeting their objectives.

- Reconciliations between the system for paying for collection and the Council's financial system, to ensure monies expected are received.

1.34. An action plan was agreed with management to address our findings and make the necessary improvements.

### Planning Fees

1.35. The Development Department is responsible for the administration that underpins and supports the Council, residents, and businesses with building/planning developments in the district. For the financial period 2020/21, the budgeted income for the Development Team was anticipated to be £1.85m, and the actual income was £1.55m. The variance of £300k was attributed to the impact of COVID-19 on the construction industry and delays to the Local Plan, reducing the number of planning applications.

1.36. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Procedures, processes, documentation and systems accurately capture, record and ensure payment or invoicing, where applicable, are received for the delivery of chargeable services.
- A sound system is in place for the correct and consistent payment of charges due and receipting of all income.
- Refunds and write offs are correctly applied and authorised.
- Charges are applied correctly and consistently.
- Income is recorded in the relevant systems and that it is reconciled and approved appropriately.
- Input, output and processing controls for the system and access rights are appropriate and operating as expected.

1.37. As a result of our work, we found robust controls to be in place and were able to provide an opinion of **substantial assurance**. A small number of findings were raised, including one assessed as medium risk, relating to the need to introduce a formal reconciliation process. Appropriate actions were agreed with management to address these findings.