

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

AUDIT MANAGER 28th JULY 2020
REPORT NO. AUD 20/06

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 1.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 1, including the work slipped from quarter 4 2019/20.
- ii. Note the update to the expected deliverables for quarter 2.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit for Q1 and to date for Q2 2020/21.
- A schedule of work expected to be delivered Q2 and Q3 2019/20.

2 Audit work – Q1 20/21

2.1 The following audit work has been carried out within quarter 1:

Work	Status
Audit findings – Appendix A of this report	
Treasury Management	This audit was carried out by the contract auditors. A substantial assurance opinion has been given to this area. Findings are detailed within Appendix A.
Estates Management and Commercial Lettings	This audit was carried out by the contract auditors. A limited assurance opinion has been given to this area. Findings are detailed within Appendix A.
PCI DSS	This audit was carried out by the contract auditors. A reasonable assurance opinion has been given to this area. Findings are detailed within Appendix A.
Audit work in progress	
SANGS/S106	The draft report is currently being reviewed by management and will be reported at the Committee meeting in September.

Capital Project (Ski Slope Maintenance)	The draft report is currently being reviewed by management and will be reported at the Committee meeting in September.
Capital Programme Management	The draft report is currently being reviewed by management and will be reported at the Committee meeting in September.
Petty Cash	Testing has been completed and a report on the findings is currently being drafted.
Housing faster payment	This was an area not previously within the audit plan. Testing has been completed and a report on the findings is currently being drafted.
Housing company/RDP set up	Testing is currently being carried out.
Alderwood Leisure Centre	Testing is currently being carried out.
Car Park Income Reconciliation - Consultancy	Consultancy work is currently being carried out to review the income reconciliation.
Building Control Partnership	The draft report is currently being reviewed by the Director at Hart Council as the report deals with elements related to the partnership with Hart Council. This report will be reported at the Committee meeting in July.

2.2 Other deliverables:

Audit have been providing assistance to the organisation with regards to assurance for elements relating to Covid-19 and contributing to one of the covid-19 recovery workstreams.

3 Expected deliverables for Q2 & Q3 2020/21

3.1 The following changes will be made to quarter 2 work previously planned within the audit update provided to the Committee in May 2020:

- PCNs – Due to changes within the parking team the audit has been deferred until August to ensure that there is staff availability within the parking team to assist with the audit process.
- Legal system set up – due to other higher priority reviews being carried out this will be deferred to 2021/22 audit plan.

3.2 The work expected to be delivered in quarter 2 & 3 is detailed within the table below. As with the previous quarter, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the September meeting.

Service	Audit/ follow up/descriptor	Expected
Operations	Car Park Income Reconciliation - <i>Consultancy days planned to offer advice around the reconciliation process for car park income.</i>	Q2 2020/21

Operations	Housing Faster payment – <i>A review of the housing faster payment process.</i>	
ICT, Facilities & Project Services	External Tenants within the Council Offices– <i>A review of the agreements in place with the external tenants and the management of them. The number of tenants within the Council offices has recently increased.</i>	
Regeneration & Property	Council Property Maintenance – <i>A review of the process for identifying maintenance required on Council property and ensuring this is appropriately planned and budgets in place.</i>	
ICT, Facilities & Project Services	Application Patch Management – <i>A review of the patch management process in place for system applications to ensure that system patches required to reduce system vulnerabilities are promptly implemented.</i>	
Finance	Purchase Ledger – <i>A key financial system review.</i>	
Finance	FMS & Bank reconciliation – <i>A key financial system review.</i>	
		Q3 2020/21
CMT/ELT	ICE programme – Cost of changes – <i>To review the costs associated with the implementation of changes associated with the ICE programme.</i>	
HR	Payroll – <i>A key financial system review</i>	
CMT	Contractors/ Consultancy & IR35 – <i>To review the contractors/ consultants used by the Council ensuring that IR35 requirements are maintained in line with HMRC requirements.</i>	

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HEAD OF SERVICE: David Stanley, Executive Head of Financial Services

References: *Internal Audit – Audit Plan* report, presented to the Committee on the 23rd March 2020.

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MId=666&Ver=4>

**AUDIT FINDINGS ON 3 ITEMS: TREASURY MANAGEMENT, ESTATES MANAGEMENT AND COMMERCIAL LETTING AND PCI
DSS**

Audit Title 1	Treasury Management		
Year of Audit	2019/20		
Assurance given	<i>Substantial – Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.</i>		
Overview of area	<p>The purpose of the Treasury Management function is to ensure that funds are available when needed and that any surplus monies are invested in Money Market Funds or Pooled Funds. The Council's current appetite to risk remains Low and with regard to investments made and security of funds, this is considered to be of primary importance, with yield the least important consideration. Performance is regularly monitored however, and funds can be transferred should rates consistently fall.</p> <p>Arlingclose remain as the Council's treasury management advisors and a new, standalone contract is being established and will commence for a further three-year period in April 2020.</p> <p>The Treasury Management function operates effectively with sound controls in place.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
Low	<p>Treasury Management Advisors</p> <p>There was no signed contract in place for the three year plus one-year extension agreement with Arlingclose. A new standalone contract is currently being drawn up for commencement in April 2020.</p> <p><i>Risk: Without a contract document to reference there is a risk that the Council's Treasury Management advisors may not be meeting expected delivery standards.</i></p>	<p>Do not agree with the findings and risks identified within this report. There was a contract in place between 2016-19, but no signed copy was held on record. There are standard terms of contract which the Council has used to monitor performance of the covered period, therefore the risk of Arlingclose not meeting expected delivery standards is minimal.</p>	<p>Finance Manager</p> <p>April 2020</p>

<p>Low</p>	<p>Treasury Management Manual</p> <p>The Treasury Management Manual has not been updated since the last audit in 2016/17 where this issue was reported as a 'way forward'.</p> <p><i>Risk: Unless the Treasury Management Manual is subject to regular review and update there is a risk that it may not reflect current practices and any officer making reference to it may be misinformed, leading to potential errors.</i></p>	<p>Agree that the Treasury Manual needs to be updated and a date for completion has been proposed</p>	<p>Finance Manager</p> <p>September 2020</p>
<p>Low</p>	<p>Treasury Management Practices, Principles and Schedules Document</p> <p>The Treasury Management Practices, Principles and Schedules document was last revised in 2017/18.</p> <p><i>Risk: Unless the Treasury Management Practices, Principles and Schedules document is subject to regular review and update there is a risk that it may not reflect changes made.</i></p>	<p>Agree that the Treasury Practices, Principles and Schedules need to be updated and a date for completion has been proposed</p>	<p>Finance Manager</p> <p>September 2020</p>
<p>Medium</p>	<p>Year End Reconciliations</p> <p>The Crystal reports used for the end of year reconciliation are misleading as both the 17/18 and 18/19 opening balances were inaccurately reported as having an identical value (assurances have been given that the reporting format is being reviewed to ensure that accurate balances are produced and supported by appropriate data).</p> <p><i>Risk: Unless accurate reports are used to prepare the end of year reconciliations for authorisation there is a risk of confusion and accounts being misrepresented.</i></p>	<p>Agreed. The Crystal reporting will be reviewed</p>	<p>Accountant (Rebecca Caldicott)</p> <p>April 2020</p>

Medium	<p>Independent Authorisation of Reconciliations</p> <p>The year-end reconciliations are not authorised.</p> <p><i>Risk: Unless reconciliations are subject to independent review and authorisation there is a risk that errors will not be identified and accounts will potentially be misstated.</i></p>	Agreed that the year-end reconciliation be authorised by the Finance Manager.	<p>Finance Manager</p> <p>April 2020</p>
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Priority key for way forwards	
High priority	A fundamental weakness in the system/area that puts the Authority at risk. To be addressed as a matter of urgency.
Medium priority	A moderate weakness within the system/area that leaves the system/area open to risk.
Low priority	A minor weakness in the system/area or a desirable improvement to the system/area.

Audit Title 2	Estate Management and Commercial Letting
Year of review	2019/20
Assurance given	<i>Limited – Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.</i>
Overview of area	<p>In order to increase income and support ongoing sustainability the Council made a decision to acquire a number of commercial properties to add to their existing portfolio of income generating assets.</p> <p>After the initial purchase of eight investment properties a report was presented to the Overview and Scrutiny Committee in November 2018, at their request, for a briefing to support a review of the Council’s approach to investment in commercial properties.</p> <p>As a result of an assessment of the Council’s priorities in May 2018 by Cabinet, two new roles were approved – i) Executive Head of Regeneration and Property and ii) Property and Estates Manager. A key task of both post holders was to identify areas of focus for the Property service going forward. An update report was provided to the Overview and Scrutiny Committee in May this year and progress is monitored in a Work Plan.</p> <p>Management Comment</p> <p>As of November 2019, Lambert Smith Hampton Investment Management (LSHIM) have been appointed as Asset Managers to the Council for an initial 3-year period, advising on all aspects of the ‘Investment’ and ‘Legacy’ Portfolios through its specialist asset management team who have expertise working with other councils.</p> <p>With the appointment of external Asset Managers performance is being reviewed, through an asset management system, across the managed portfolios and, are reported in the corporate KPI monitoring document. This will be developed for the rest of the portfolio using the new asset management system.</p> <p>Work is taking place in 2020 on action plans that sit under the Asset Management Plan, which also addresses some of the issues identified within this audit report.</p> <p>A tender is currently underway for the implementation of a new asset management system. A finance link from and to any new system will be important going forward to ensure improved invoicing, monitoring of debtors and chasing of late rent. Visibility of this debtor element, particularly for the Estates and Property</p>

Team, is an essential part of improving the performance and management of debt in respect of the Council's property holdings.

Audit Comment:

The Committee should note that the findings from this audit were based on information received and reviewed in October 2019. Due to the complexity within this ever-evolving area it was key to allow management the opportunity to comment on findings. Management responses were not promptly received, therefore, this report reflects the audit findings from October 2019. Management have provided responses to the findings but will be available at the meeting to provide further assurance and update the Committee with improvements within the service around estate management and commercial lettings.

Priority	Key findings	Management response and agreed action	Action by who and when
Medium	<p>Documented Policies and Procedures It was confirmed at the opening meeting that there are no documented policies and procedures with knowledge being retained by individual officers.</p> <p><i>Risk: In the absence of current, clear and approved policies and procedures covering the functions of the service there is a risk that objectives will not be met, and staff may be unclear of their roles and responsibilities. In addition, should experienced personnel leave the organisation expertise will be lost.</i></p>	<p>Work has been carried out by the Property & Estates Manager to develop a process focusing on the form of distribution and completion details. However, further work is still required to refine this process with Legal Services.</p> <p>Due to other priorities within the service the procedures have not been documented but will be during 2020.</p>	<p>Property & Estates Manager</p> <p>December 2020</p>
High	<p>Acquisition Strategy</p> <p>It was confirmed that there is no Acquisition Strategy in place although the intention, according to the draft AMP, is to produce an Investment Strategy.</p> <p><i>Risk: In the absence of an approved Investment Strategy there is a risk that objectives will not be met,</i></p>	<p>Implemented – Agreed at Cabinet Feb 20.</p>	<p>Executive Head of Regeneration and Property</p> <p>Implemented</p>

	<i>and the property portfolio may not achieve the expected financial return making some investments financially unviable.</i>		
High	<p>Acquisition Strategy It was confirmed in the Financial Borrowing audit 2019/20 that Finance are not always aware of forthcoming borrowing requirements.</p> <p><i>Risk: In the absence of an acquisition strategy there is a risk that the borrowing requirements are not identified and communicated to the Finance team in a timely manner.</i></p>	Sometimes opportunities to invest mean that borrowing requirements need to be reconsidered by Council. This follows discussions with the Executive Head of Finance regarding the levels and cost of borrowing in relation to opportunistic purchases.	Executive Head Regeneration and Property
Medium	<p>Asset Management Plan The Asset Management Plan (Commercial property investment strategy) is in draft and yet to be approved.</p> <p><i>Risk: Without an approved Asset Management Plan (Commercial property investment strategy) staff will be unaware of the expected processes in place for the ongoing management of the property portfolio in terms of recommended best practice and the achieving of agreed objectives.</i></p>	Since first being presented in Draft form to the Overview and Scrutiny Committee and having been considered by the Projects Advisory Board (PPAB) at its meeting on 3/4/19 the Asset Management Plan (Commercial property investment strategy) has now been approved by Cabinet in February 2020	Executive Head of Regeneration & Property /Property & Estates Manager Implemented
Medium	<p>Asset Management Group An Asset Management Group has not yet been established.</p> <p><i>Risk: In the absence of an Asset Management Group there may be insufficient oversight and governance of the Asset Management Plan leading to a lack of challenge and failure to achieve objectives.</i></p>	The Property Investment Advisory Group (PIAG) has been established	Executive Head of Regeneration & Property /Property & Estates Manager Implemented
Medium	<p>Target Dates There are no timescales established for targets in the</p>	Due to staff leaving and other priorities within the service target dates were not	Property & Estates Manager

	<p>Asset Management Plan.</p> <p>Risk: <i>If the Asset Management Plan has no set target dates there is a risk that the approved objectives may not be monitored or achieved.</i></p>	<p>set. A task to prepare a programme and set of actions with timelines to report to PIAG has been set.</p> <p>Progress towards these target dates will be reported to PIAG.</p>	<p>December 2020</p>
Medium	<p>Management of Records</p> <p>As yet there is no property and asset management software package in place in which information is securely held and interrogated. Excel spreadsheets are currently being used for the management of records.</p> <p>Risk: <i>Without a dedicated and automated system for managing complex aspects of property management there is a risk that the integrity of data is not protected, key events may be missed, and the systems used may not be efficient.</i></p>	<p>It is recognised that in order to deliver such a system there needs to be a commitment to software costs and staff resources to implement a system. There is now agreement for this and a tender for a new system will be carried out and implementation to commence in 2020.</p>	<p>Property & Estates Manager</p> <p>December 2020</p>
Medium	<p>Data Integrity</p> <p>At the time of the transferral of information from the card-based system to the excel spreadsheet there was no validation of data entered made by a second officer.</p> <p>Audit testing indicated that not all information had been transferred to the spreadsheet accurately or completely. In addition, some of the records selected for testing highlighted that the spreadsheet had not been updated to reflect changes made to rents charged or deposits held.</p> <p>Risk: <i>As data transferred to the Excel spreadsheets was not checked by a second member of staff there is a risk that data may have been entered incorrectly. Unless information is complete & accurate, additional and unnecessary time may have to be spent referring back to the original tenancy agreements which are held in storage.</i></p>	<p>A tighter system would assist in alleviating this issue, but any management system still relies on physical input and is liable to human error. A cross check arrangement to control the quality of information entered is essential at each end of each process.</p> <p>Verification takes place by the Property & Estates Manager and future verification will continue to be carried out by a designated member of the Property Team.</p>	<p>Property & Estates Manager</p> <p>Ongoing</p>
Medium	<p>Data Integrity</p> <p>Sample testing of ten commercial lettings indicated that</p>	<p>A robust management of staff responsible for updating records is now</p>	<p>Property & Estates Manager/ Property team</p>

	<p>not all records had been updated to reflect changes made to reviews undertaken, rents charged, or deposits held and that data held differed in some instances from that held by Finance.</p> <p>Risk: <i>Unless records are kept up to date there is a risk that data will be misleading and management reporting inaccurate.</i></p>	undertaken.	Ongoing
Medium	<p>Access to Data Full Access to the records management spreadsheets is open to the whole team with read only access not being applied to those who do not need to manipulate the data.</p> <p>Risk: <i>There is a risk of data being corrupted inadvertently due to the whole team having full access to the spreadsheet.</i></p>	<p>This will be addressed as part of the implementation of the asset management system.</p> <p>Until then, the current 3-person team require access to update the records but a system to monitor is under development by the P&E Manager.</p>	<p>Property & Estates Manager</p> <p>December 2020</p>
High	<p>Information Sharing Prior to the Property and Estates Manager joining the council in March the graduate surveyor was the only officer with full knowledge of how to manage the records management spreadsheet.</p> <p>Risk: <i>In the absence of the officer with detailed knowledge of the property records management spreadsheet there is a risk that key events relating to the management of the property portfolio will be not be actioned.</i></p>	But now the knowledge sits with the P&E Manager and alternative means to manage this needs to be put in place, with a dedicated Admin role to do so.	<p>Property and Estates Manager</p> <p>Ongoing</p>
Medium	<p>Key Events Audit testing indicated that a rent review due in January 2018 had not been actioned.</p> <p>Risk: <i>Unless all key events are actioned there is a risk that rental income may not be maximised.</i></p>	Work is prioritised and this includes financial impact. If this was a review of low value, it is possible it was not dealt with promptly in favour of other more important actions.	Property and Estates Manager
Medium	<p>Role of the Managing Agents There are no documented agreements or regular</p>	The agreements are available. These have not all been identified. Those on file	Property and Estates Manager

	<p>liaison meetings with the Management Agents.</p> <p>Risk: <i>Without signed agreements or regular dialogue with the Management Agents there is a risk that the Council's expectations are not being met.</i></p>	<p>can be provided.</p> <p>Reports are received from managing agents quarterly and meetings take place in relation to specific matters with actions taking the form of e-mail correspondence.</p> <p>Interim meetings as events/incidents require /arise</p>	
Medium	<p>Maintenance Budget</p> <p>There is a substantial shortfall in the budget allocation for maintenance work.</p> <p>Risk: <i>Unless there is sufficient funding for the maintenance of Council properties there is a risk that they will not be of an acceptable standard to lease out, leading to a loss of income.</i></p>	<p>The figure of £300,000 was derived in the previous year through the previous team management as a function of what was financially available not on the basis of a matching the amount of work required.</p> <p>Additional sums have been requested for the larger assets to address works that are required and CLT has in turn, requested that individual Business Cases be put forward for the costs as required.</p>	Property and Estates Manager
Medium	<p>Condition Survey's</p> <p>The excel spreadsheet held for the schedule of condition survey's for properties had not been recently updated.</p> <p>Risk: <i>If condition survey's for properties are not carried out then it will not be clear what maintenance is required and these properties may not be appropriately maintained.</i></p>	<p>For the first time in many years Condition Surveys were carried out by a Building Surveyor. Details are maintained on an Excel spreadsheet but due to staffing turnover and other areas of work taking priority, the schedule has not been revisited and updated comprehensively during the period of the audit reviewed. This includes June/July 2019.</p>	Property and Estates Manager
High	EPC requirements	The Council's Compliance Officer	Compliance Officer

	<p>Assurance could not be gained that RBC properties met the new minimum EPC requirements.</p> <p>Risk: <i>If the minimum EPC requirements are not met then it would be unlawful for the Council to let out the properties.</i></p>	<p>collates and retains this information for Rushmoor properties, arranges inspections and commissions works required to meet the current requirements.</p>	<p>Immediate</p>
Medium	<p>Budget Forecasting Requests for revenue budgets were not specifically highlighted to Cabinet within the 'summary and recommendations' section for Frimley Business Park. Although the wider report and appendices did contain information on income and expenditure budgets.</p> <p>Risk: <i>Unless the income and expenditure budgets that are required are clearly disclosed within the Cabinet report and referred to within the 'summary and recommendations' section then it may be seen that we are not being transparent.</i></p>	<p>There was extensive liaison with the Finance Team before and during the acquisition process of this complicated asset, in financial terms, including modelling of the costs and how to treat these.</p> <p>Agreement has been reached with the Executive Head of Finance to be more explicit in future reports regarding revenue implications and ensure these are conveyed as part of the asset purchase documentation.</p>	<p>Executive Head of Regeneration & Property</p> <p>Immediate</p>
Medium	<p>Timing of Invoice Issue Invoices are issued for the commercial property rents on the due date and a reminder for non-payment is sent 21 days after. Therefore, delaying the prompt recovery of rent in a commercial way.</p> <p>Furthermore, as the rental conditions and due dates are agreed with the tenant and detailed within the tenancy agreement is there a business need for invoices to be sent. Consideration could be given to just sending reminders for non-payment of rental.</p>	<p>This has been recognised as not being an efficient method of collection for the purposes of commercial rents.</p> <p>Resources are being applied to the problem and, if necessary, there will need to be specialist external assistance to adapt the systems until an asset management system is in place.</p>	<p>Executive Head of Finance</p> <p>Property & Estates Manager</p> <p>Short Term: Estimated June 2020 Long Term: December</p>

	Risk: Rental debt will not be promptly chased in a commercial way if reminders are not sent for 21 days.		2020 (see 3.1 above)
Medium	Debt Reporting The current report summarising debt does not allow for manipulation of the data by the Property and Estates Manager. Risk: The current report format may not allow for full analysis of the debt.	As above in 7.1	
Medium	Debt Report Timing Currently the aged debt report is only sent out quarterly. Risk: Currently the aged debt report is only sent out quarterly thereby not allowing for frequent and timely monitoring and chasing of the debt.	As above in 7.1 It is agreed that monitoring needs to be monthly to enable a more commercial and timely chasing of debt.	
Medium	Debt Prioritisation Historically the Property team has not actively been involved in the oversight and prioritisation of the collection of debt with the chasing up of debt left to the Sales Ledger team. Risk: Unless the Property team's knowledge of individual tenancies is considered when determining the approach to debt collection there is a risk that amounts collected will not be maximised.	A co-ordinated cross team would be beneficial with a mapping out of timetables, actions and responsibilities. A focused group across teams to look at how to document this to best reflect best practice will be set up.	Executive Heads of Finance/ Regeneration & Property June 2020
High	Debt Write Off Audit were advised by the Sales Ledger team that a debt of £26,595 relating to one of the two tenants at Wellesley House was awaiting write off authorisation.	The current procedures contain debt management within the Finance Team. This responsibility needs to be shared and properly communicated through	Executive Heads of Finance/ Regeneration & Property

	<p>However, the property team were unclear who had responsibility to do this and the process to follow for writing off/chasing debts was unclear.</p> <p>Risk: <i>Unless services are clear where responsibility lies for authorisation of write offs, and the process for chasing debt, the debt may remain outstanding.</i></p>	<p>clear and jointly owned information collected in a way that reflects property as a different kind of debt to others.</p> <p>See 8.3 above</p> <p>Through proactive tenant management the situation has improved on the retained office part occupied in the building and as at Jan 2020 the tenant had caught up with the rental payments for that Ground Floor Office Suite only.</p>	<p>June 2020</p>
High	<p>Aged Debt The 63.1% of the total debt (29/8/19), £142,238.36, has been outstanding for over 90 days.</p> <p>Risk: <i>Unless outstanding debts are followed up promptly, they will become increasingly more difficult to recover and may ultimately need to be written off.</i></p>	<p>As above</p>	
Medium	<p>Tender Information/Revaluations As part of the tender process for the insurance renewal, details of the proposed revaluation process is required. This has been requested from Property but is yet to be provided.</p> <p>Risk: <i>Unless the Payments and Insurance Manager has accurate valuations at the time of entering into a new contract, the council is at risk of being either under insured or over insured thereby paying too much premium.</i></p>	<p>This once in 5-years renewal included new Reinstatement valuations for the new Investment properties but the remained of the portfolio has not been revalued for this purpose. The information in hand has been shared.</p>	<p>Property & Estates Manager/ Payments and Insurance Manager April 2020</p>
Medium	<p>Changes to Insurance Requirements The Payments and Insurance Manager is not always notified of new properties or properties which become vacant.</p> <p>Risk: <i>If the Payments and Insurance Manager is not notified of the acquisition of new properties or any</i></p>	<p>Regular monthly updates are provided by Property and Estates to the Payments and Insurance Manager. If there are any issues on this then they should confirm and a proper dialogue would help to improve communication on broader insurance matters affecting Council</p>	<p>Property & Estates Manager/ Payments and Insurance Manager April 2020</p>

	<i>properties which become vacant there is a risk that insurance cover will not reflect the council's current property portfolio and that some properties may be uninsured.</i>	properties.	
Medium	<p>Property Portfolio Knowledge The Property team were unable to provide prospective insurers with all of the required information on their highest value properties relating to Construction Occupancy Protection Exposure (COPE).</p> <p>Risk: Unless the Property team are fully aware of the all key details relating to their properties particularly those required for insurance purposes there is a risk that properties may be underinsured or uninsured.</p>	As above.	<p>Property & Estates Manager/ Payments and Insurance Manager April 2020</p>
Medium	<p>Asset Disposal It was confirmed that the disposal of assets is an area which has not been reviewed for some time and has been highlighted as a target in the draft Asset Management Plan.</p> <p>Risk: Unless the disposal of assets is not considered on a regular basis there is a risk of properties that are no longer providing the minimum agreed percentage rate of return are retained on the property portfolio.</p>	<p>This will be reviewed as part of the AMP action priorities.</p> <p>The Property & Estates Manager will agree action priorities with the Portfolio Holder for Property & Major Projects and then PIAG.</p>	<p>Property & Estates Manager December 2020</p>
High	<p>Key Performance Indicators There are no agreed key performance indicators which are monitored and reported.</p> <p>Risk: Without agreed key performance indicators that are reported regularly to senior management and members there is that the service may not fulfil its objectives.</p>	<p>The Property Team is working with LSHIM to agree KPIs that reflect best practice for asset management. Collection of the data will be more difficult until the actions set out in 3.1 above are delivered.</p>	<p>Executive Head of Regeneration & Property Implemented</p>
High	<p>Financial Monitoring There is currently no reporting on the performance requirement that the Council needs to achieve a net initial yield of approximately 5.25% to make an asset purchase financially viable. In addition, there is confusion as to whose responsibility it is to undertake</p>	<p>LSHIM is reporting on the Investment and Legacy portfolios to the PIAG There is no such reporting on the remainder of the Councils properties managed in house by the Estates Team. These do not sit comfortably within the</p>	<p>Executive Head of Regeneration & Property/ Property & Estates Manager</p>

	<p>this monitoring and reporting.</p> <p>Risk: <i>Without agreed reporting requirements for net initial yields there is a risk that the service may not fulfil its objectives and financial targets may not be met.</i></p>	<p>same performance parameters or expectations as the Investment/Legacy Portfolios but still a means to measure and to report will be required to be developed.</p>	
Low	<p>Initial Rate of Return Calculations</p> <p>Finance are of the understanding that the target figure for the net initial yield for an investment is 5% which differs from the figure of 5.25% minimum stated by the Executive Head of Regeneration and Property in a report to the Overview and Scrutiny Committee.</p> <p>Risk: <i>Unless there is a clear understanding of the expectation around the initial yield required for an acquisition incorrect recommendations may be made.</i></p>	<p>The views are stated using 2 different bases: the blended borrowing rate of the Council and the long-term borrowing rates. The blended rate was provided by the Executive Head of Finance as part of the Cabinet Report for the purchase of Trafalgar House, Winchester. On this basis it should be expected there are differences.</p>	
Low	<p>Holding of Deposits</p> <p>Rushmoor do not follow best practice by holding tenants' deposits in a separate account from their main bank account.</p> <p>Risk: <i>Failure to separate and earmark deposit funds can mean that if the Landlord becomes insolvent, the deposit funds simply go into a pot of assets and the tenant may lose the deposit in those circumstances.</i></p> <p><i>In addition, budget monitoring will not accurately show income.</i></p>	<p>The RICS code states that deposits must be kept separately. The Council is able to code and identify deposits received from tenants and these are held on the Council's balance sheet. Therefore, the requirement for separate bank accounts is not considered necessary.</p> <p>Arrange for deposits to be held by agents, where possible or separate arrangements be made to hold monies outside the Council. A review is needed to identify all deposits and how they are held.</p>	<p>Finance Manager</p> <p>September 2020</p>
Low	<p>Recording of Deposits</p> <p>It was noted that the figure recorded on the Property team's records management spreadsheet was different from that recorded on the Council's finance system. Both the initial deposit figure varied, and the information had not been updated on the Property team's system to show the additional deposit provided after a rental</p>	<p>The property team will share its records with Finance so that a cross-check of deposits can take place.</p>	<p>Property & Estates Manager</p> <p>April 2020</p>

	<p>review led to an increase in rent.</p> <p>Risk: <i>Unless all records accurately reflect deposits paid and held by the Council it may prove difficult to resolve any disputes over amounts to be returned at the end of a tenancy.</i></p>		
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Audit Title 3	PCI DSS		
Year of review	2019/20		
Assurance given	<i>Reasonable – Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>		
Overview of area	<p>Every company that accepts credit card payments from customers must adhere to the Payment Card Industry and Data Security Standards. These standards are designed to protect online consumers and e-commerce service payments.</p> <p>The Council currently does not fully comply with the Payment Card Industry Data Security Standards (PCI DSS). Due to this, a project is being conducted in order to identify the weaknesses in controls, bring security up to the standard required to ensure full compliance is achieved. As part of this, a comprehensive record (RBC PCI Spreadsheet) outlining compliance/non-compliance in all areas of the service has been compiled. This was completed by the Executive Head of Finance, IT Team and Project Manager at the beginning of the project.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
High	Finding	AGREED	Executive Head of

	<p>a) The Council are allegedly paying a fine as a result of not being fully compliant with PCI DSS standards. This is due to the card terminal within the Princes Hall Theatre not transferring Cardholder data securely to the in-house CAPITA 360 system. This could not be confirmed at the time of audit.</p> <p>b) There is no management or oversight of the alleged fine within the Council, with no one being able to provide details i.e. start date, monthly amount, expiry date or whether this was still ongoing.</p> <p>Risk</p> <p><i>a) This has resulted in the Council allegedly paying a monthly fine (amount and duration were not provided before draft report written).</i></p> <p><i>It could also lead to the Council's ability to accept card payments being revoked.</i></p> <p><i>It is also a potential breach of Data Protection regulations.</i></p> <p><i>b) If it transpires that the Council are not paying a fine, this could result in a financial and/or reputational risk.</i></p>	<p>The Council has been making a monthly payment to CAPITA since late-2018 in respect of "CAPITA PCI DSS ANNUAL MGMT FEE". Whilst the charge is relatively low (£10 per month) it is unclear what this fee covers.</p> <p>In the absence of any detailed knowledge or awareness across Finance and IT teams, the Executive Head of Finance will review</p>	<p>Finance</p> <p>October 2020</p>
<p>Medium</p>	<p>Finding</p> <p>a) The Information Security Policy has not been finalised. This was still in draft as at 03/03/2020.</p> <p>b) The draft Information Security Policy states that the</p>	<p>AGREED</p> <p>Information Security Policy (ISP) was agreed by the Corporate Leadership Team (CLT) at the meeting on 12 February 2020.</p>	<p>Information Security Officer</p> <p>Head of ICT and Facilities</p>

	<p>Council are currently PCI DSS Compliant, but this is currently not the case. This is stated in 9.1 of the policy.</p> <p>Risk <i>a) In order to reach compliance, there needs to be a sound policy in place outlining expectations.</i></p> <p><i>b) This statement does not reflect the current position of the Council. Failure to comply with the PCI DSS standards has led to a fine and could further lead to the Council's not having the ability to accept card payments.</i></p>	<p>All Heads of Service have been reminded of the Council's ISP when reviewing services as part of the response to Covid-19.</p> <p>The ISP will be published on the Council's internal website and amended to reflect the DCI PSS status.</p>	<p>July 2020</p>
<p>Medium</p>	<p>Finding There is no single officer allocated to have full knowledge/oversight of the whole process and responsibility for the PCI DSS. This would be to co-ordinate the corporate requirements and ensure compliance.</p> <p>During the audit no one could confirm the details of the fine the Council had been levied with, neither did anyone know who would have knowledge of this. Details of the applications and systems could not be obtained either.</p> <p>Risk <i>The Council are already paying a fine for not being compliant.</i></p> <p><i>Non-compliance could result in further financial losses for the Council and the facility of card payments being revoked.</i></p>	<p>AGREED Executive Head of Finance will be the responsible officer.</p>	<p>Executive Head of Finance</p> <p>June 2020</p>