

Subject:	Internal Audit update (including amended audit plan)		
Date of Meeting:	15 November 2016		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Graham Liddell	Tel: 01273 29-1323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report summarises the audits that have been carried out to date and proposed changes to the audit plan.

2. RECOMMENDATIONS

- 2.1 That the Audit & Standards Committee notes the audits that have been carried out to date.
- 2.2 That the Committee approves the proposed changes to the audit plan.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Committee approved the Internal Audit and Corporate Fraud Plan on 8 March 2016. The audit plan comprised 1,115 audit days covering:
- audit reviews based on assessment of risk
 - following up progress on implementing audit recommendations
- 3.2 At the 25 September Committee, the Head of Internal Audit reported that less progress than expected had been made against the audit plan and that he would bring proposed amendments to the plan to this meeting.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**Reason for amending the audit plan**

- 4.1 As reported to the Committee on 25 September, less progress than expected has been made on the 2016/17 audit plan because:
- substantial work had been carried out on new and emerging risks during the first six months of the year
 - more time than expected had been spent on developing a joint working with colleagues from Orbis.
- 4.2 The team is now at full capacity and together with support from our private sector partner, still expects to deliver approximately 1,100 audit days for 2016/17.

- 4.3 The Head of Internal Audit has, therefore, proposed changes to the 2016/17 plan to ensure that he will have sufficient assurance to deliver his annual audit opinion. These changes are informed by:
- the results of work carried out (including unplanned audit work)
 - changing priorities for the council
 - the level of audit resource available.

Results from planned audit work

- 4.4 Table 1 sets out the reports issued by Internal Audit on planned audits.

Table 1 - planned audit work

Audit	Audit conclusion
Contract Waivers	Limited
Business Continuity	Limited
IT Disposals	Limited
Computer Facilities	Limited
Public Health	Reasonable
Budget Management	Reasonable
Declarations of Interests, Gifts & Hospitality	Reasonable
Home to School Transport	Substantial
Troubled families grant claim	Unqualified certificate issued
Schools audits	Various
Banking	Draft report
Business rates	Draft report
Council Tax	Draft report
European General Data Protection Regulations (GAP Analysis)	Draft report
Purchasing cards	Draft report

- 4.5 Summary findings for finalised reports were presented to the Committee on 25 September 2016. The key areas where the council needs to strengthen are:
- security of information systems
 - contract management.

Unplanned audit work

- 4.6 Table 2 sets out the key areas where Internal Audit has carried out work that were not included in the audit plan approved by the Committee in March 2016. Some of the demand for this unplanned work stems from service managers identifying contract management and ICT issues and requesting audit support to help address these issues. This was also encouraged by the new Executive Director, Finance & Resources.

Table 2 – unplanned audit work delivered

Audit work	Audit conclusion	Commentary
Department for Transport grant claims x2	Audit certificate issued	A routine audit was requested by Department for Transport to certify that £5m of funding provided from central government was used in line with grant conditions.
Disabled facilities grant claim	Audit certificate issued	A routine audit was requested by Department for Communities and Local Government to certify that £1m of funding provided from central government was used in line with grant conditions.
Housing responsive repairs	n/a	<p>Internal audit has continued to work closely with colleagues from housing and procurement to support the recover of overpayments made in relation to work carried out by a sub-contractor.</p> <p>As reported to the Housing and New Homes Committee, the council has received a total repayment of £513k related to the overcharge. This is made up of a sum of £275k for repairs post April 2014 and a sum £238k relating to the repairs undertaken by the subcontractor before April 2014.</p> <p>Officers within the Housing Property & Investment team the council continue to meet with senior management at Mears on a weekly basis to review progress with quality assurance on the contract and undertake, monitor and complete agreed actions.</p> <p>We will carry out a follow up review as part of our 2016/17 audit plan.</p>
Housing capital works (specific scheme)	Reasonable (currently in draft)	<p>This audit replaced the original planned general review of housing capital works by reviewing the capital works for a particular block of flats. This followed concerns raised by leaseholders about whether the capital works were required and the expected cost of the work.</p> <p>The audit (currently in draft) has concluded that the council put reasonable arrangements for commissioning and delivering this capital work. The audit made recommendations to clarify the role of the consultant surveyors and to document more clearly key decisions and judgements.</p>
Housing electrical works	Limited	<p>As part of the council’s ongoing review of contract payments, finance and housing staff identified apparent discrepancies between work carried out and the charges for electrical works. Internal Audit was then asked to carry out a detailed review into these discrepancies.</p> <p>The audit confirmed that there were cases where the amounts charged for a particular property do not appear to match the work carried out. The council is</p>

		working with Mears to resolve these issues and further updates will be provided to the Audit & Standards Committee.
Allegations about disposal of property leases	Allegations unfounded	Concerns were raised with Internal Audit that the council may have disposed of some property leases too cheaply. The audit review concluded that the allegations were unfounded.
Emergency Accommodation	Limited	<p>Internal audit reviewed the arrangements for managing emergency accommodation contracts following concerns raised by a member of the public.</p> <p>The audit concluded that before May 2015:</p> <ul style="list-style-type: none"> potentially significant shortfalls in the standard of accommodation provided had not been addressed in a timely manner. contracts had been awarded through a series of Waivers to Contract Standing Orders. <p>During the 2015 a procurement exercise was carried out and the management agreements, lease, contract and property standards were reviewed and improved. The council also initiated additional actions to improve the monitoring and rectification of shortfalls at this accommodation. There is evidence that the provider of the emergency accommodation has responded positively and has instigated a number of planned improvements to the property.</p>
Payments for provision of social care	n/a	This review considered potential overpayments made to a social care provider. The review confirmed that there is a case for recovering some amounts paid payments and the council is currently discussing these with its provider.

4.7 The team has been asked to carry out three further additional audits . These are set out in table 3.

Table 3 – additional audits requested

Additional audit planned	Reason for including in revised audit plan
Care Payments	Requested by EY to support the audit of the financial statements and to keep down the cost of the external audit.
Three European grants a part of the council's participation in Interreg, a European Union funding programme that supports cross-border co-operation projects between neighbouring regions.	Specific requirement for an audit of grant claims that are a condition of the council receiving grant funding.
Review of compliance with data security standard for Payment Cards	New and merging risk that could affect the ability of the council to process payment card transactions.

Proposed deletions from the audit plan

- 4.8 In light of the results of additional work, the Head of Internal Audit has reviewed the remaining plan and proposes that the seven audits set out in table 4 should be deleted.

Table 4 – deleted audits

Deleted audit	Reason for deleting
Adolescent Services	Following discussion with Executive Director (FCL) not judged as high risk for 2016/17. Will be reconsidered as part of 2017/18 plan.
City Parks	No significant risks identified that suggest that this area requires review in 2016/17.
Contract Letting & Renewal	Assurance gained on contract letting & renewal procurement in 2014/15. Focus for 2016/17 now more on contract management.
Direct Payments	Specific fraud work planned through East Sussex Fraud Hub instead.
Grants Payable and Trust Funds	Judged as lower risk as grants payable have significantly reduced.
Housing Allocations	Allocations system is being re-procured and process subject to change. Audit to be considered for inclusion in 2017/18 audit plan.
Housing Repairs - Capital Programme (general)	Replaced by more specific review of housing repairs capital works.
Modernising the council	Reasonable assurance provided as part of 2015/16 audit plan and good progress on actions. Revisit to be considered for 2017/18
Strategic construction contract	Re-procurement is currently taking place. To be considered for inclusion in 2017/18 audit plan.
Refurbishing the seafront	Assurance gained as part of strategic risk.

- 4.9 In the professional judgement of the Head of Internal Audit, the deletion of these audits will not compromise his ability to issue his annual audit opinion for 2016/17. This is because, he will gain sufficient assurance from other audit work in 2016/17 (including unplanned work) or because the risk for 2016/17 is low.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None

6. CONCLUSION

- 6.1 The Committee is asked to approve the proposed changes to the audit plan for 2016/17.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2016/17 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with recommendations support the robustness and resilience of the council's practices and procedures in support of the council's overall financial position.

Finance Officer Consulted: Jeff Coates

Date: 26/10/2016

Legal Implications:

- 7.2 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards'. It is a legitimate part of the Audit and Standards Committee's role to review the level of work completed and planned by internal audit.

Lawyer Consulted: Elizabeth Culbert

Date: 23/10/16

Equalities Implications:

- 7.3 There are no direct equalities implications.

Sustainability Implications:

- 7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None