

# Internal Audit Annual Report

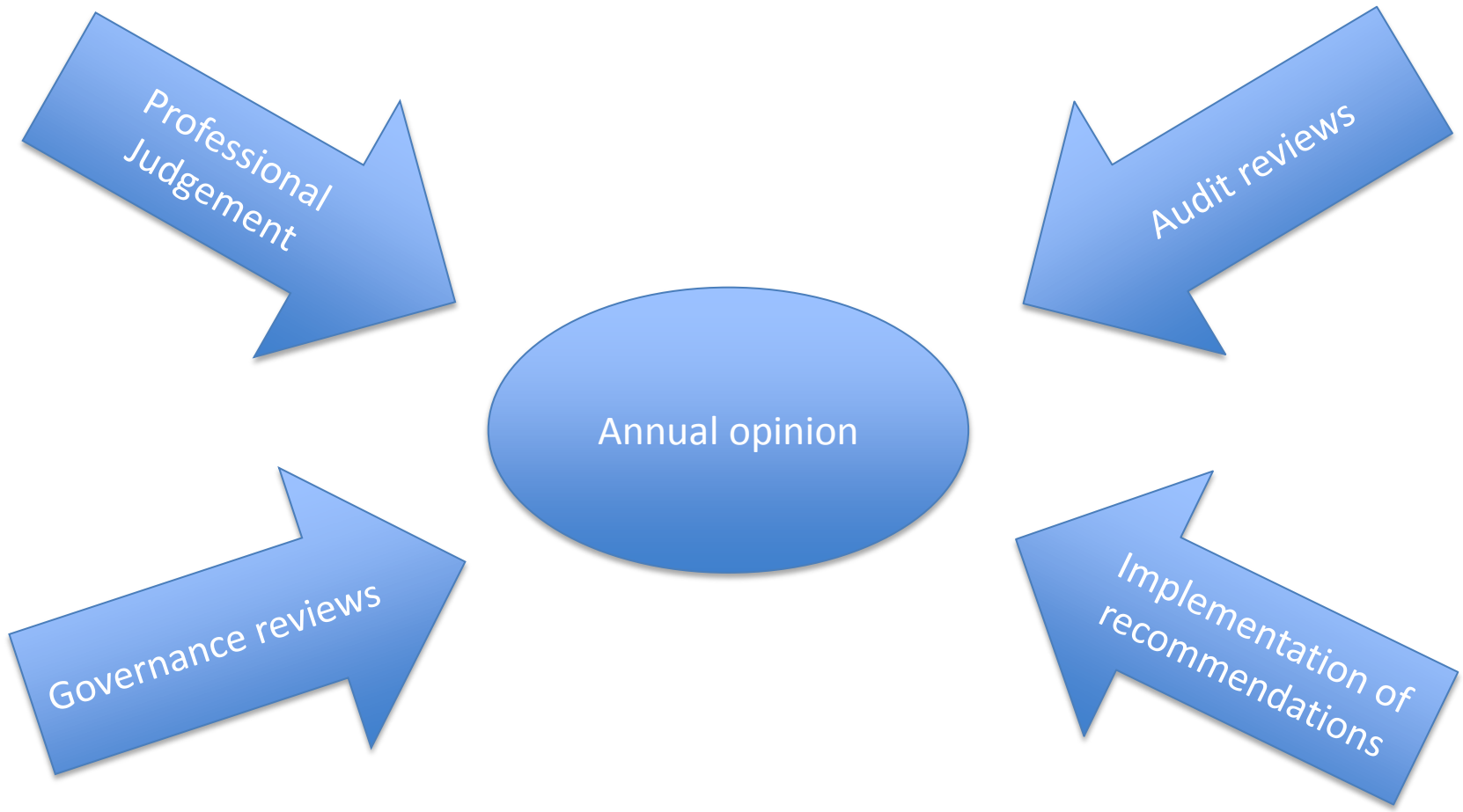
Brighton & Hove City Council  
2016/17

# Head of Internal Audit Opinion

Brighton & Hove City Council 2016/17

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# Basis of opinion



# Summary findings



- Good Governance principles in place
- Core financial systems effective
- Challenging budget delivered
- Objectives largely on track

- Risk from continued financial challenges, especially school balances.
- Risk that reduced capacity will compromise effectiveness of internal controls

- Robustness of our arrangements to keep our data secure.
- Variable contract management practices (general fund, capital and housing)

In my opinion, reasonable assurance can be provided:

- on the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
- that the arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

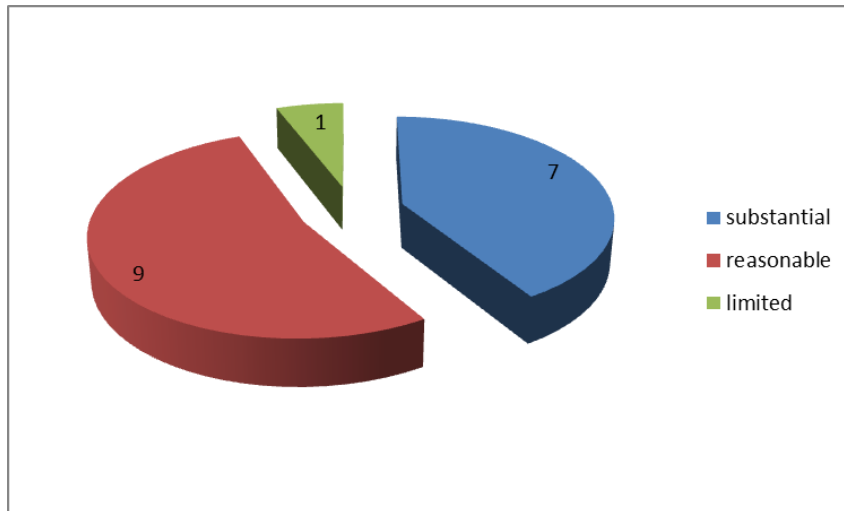
Graham Liddell  
Head of Internal Audit  
July 2017

# Audit reviews

## Brighton & Hove City Council 2016/17

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## Assurance levels

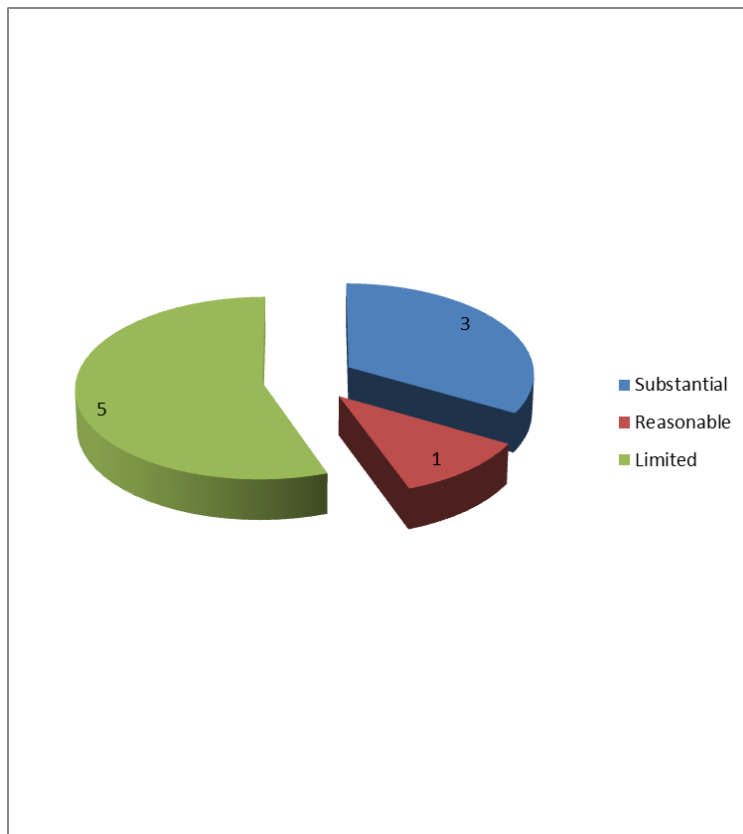


## Key findings

- The finance team have continued to secure savings and maintain robust financial systems. This forms the basis for our 'reasonable assurance' opinion for the control environment as a whole.
- Payments made with purchasing cards relatively small\* but compliance levels with internal controls over their use need to be improved.

\* £500k per year

## Assurance levels

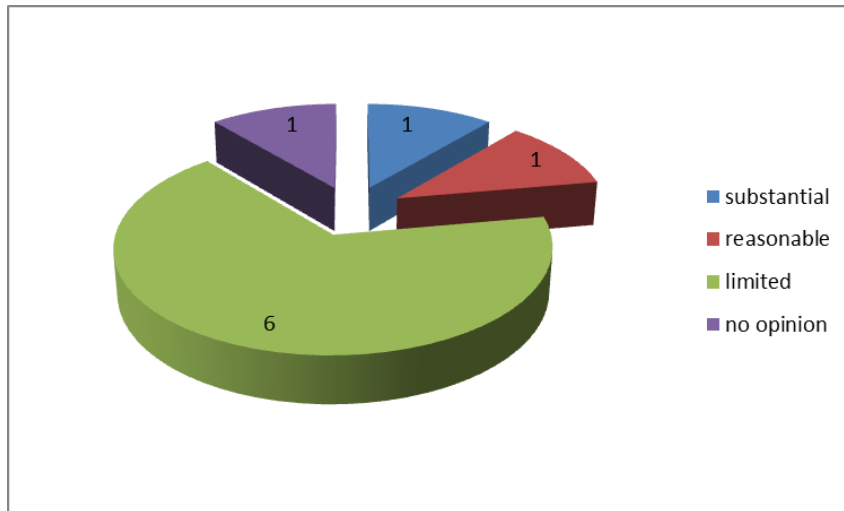


## Key findings

- Robust arrangements for housing rent collection and new builds.
- Contract management arrangements are being strengthened but further improvements are required.
- Significant issues identified relating to housing repairs, emergency accommodation and the management of voids for temporary accommodation.



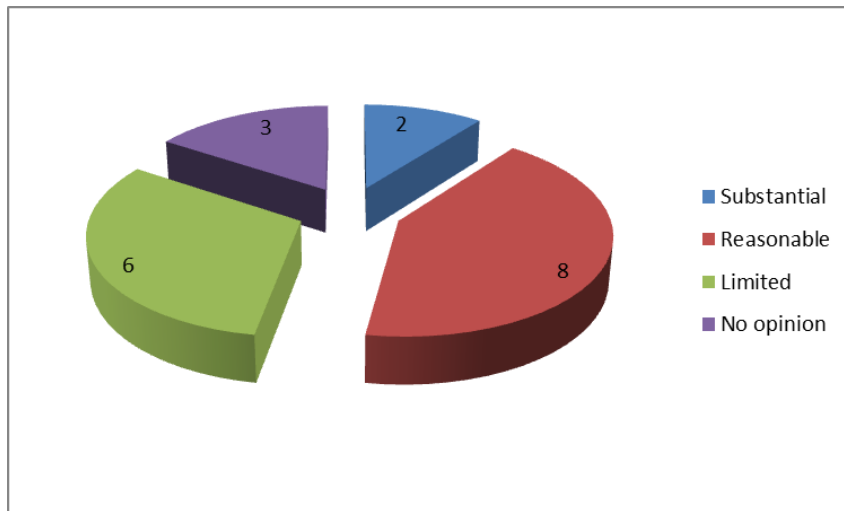
## Assurance levels



## Key findings

- The council did not fall victim to the well publicised international 'ransomware' attacks that paralysed other parts of the public sector.
- However, the council remains at risk and needs to ensure that it:
  - identifies and addresses its cyber-security risks
  - improves controls in vulnerable areas
  - develops a robust action plan to ensure that the council complies with new data protection regulations (which come into effect in May 2018)

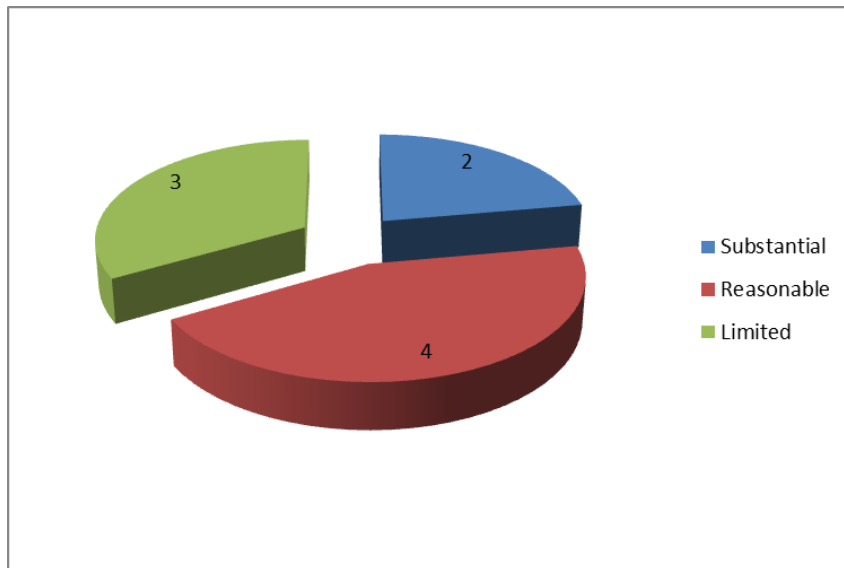
## Assurance levels



## Key findings

- Controls are in place to address key risks.
- The council is improving its controls to prevent parking fraud and losses but progress has been slower than anticipated.
- Controls over income from life-events need to be strengthened
- The council has made good progress in addressing weaknesses in business continuity arrangements following our audit early in 2016/17.

## Assurance levels



## Key findings

- Many schools have started to take difficult decisions on staffing levels to ensure their financial security, but school balances are reducing with some schools projecting financial deficits. This is likely to impact on the council's general fund.
- Financial governance arrangements, such as budget reporting to governors, need strengthening.
- Other common areas for improving controls include:
  - collecting cash income
  - use of debit cards

# Governance reviews

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# Governance reviews



Good governance principles

Reasonable assurance

- Policies and processes in place
- Need to improve information governance and arrangements for keeping data secure
- Some areas where further internal audit or other independent assurance required.

Declarations of Interests, Gifts & Hospitality

Reasonable assurance

- Improved processes in place for making declarations.
- More consistent follow up needed to ensure resultant risks are addressed.

Risk management

Reasonable assurance

- Risk management strategy and systems in place.
- Integration with business planning and sharing of risks with partners need to be strengthened .

Managing risk: keeping vulnerable adults safe from harm and abuse

Reasonable assurance

- Risks are well managed
- The risk register does not fully reflect the arrangements in place.

# Audit recommendations

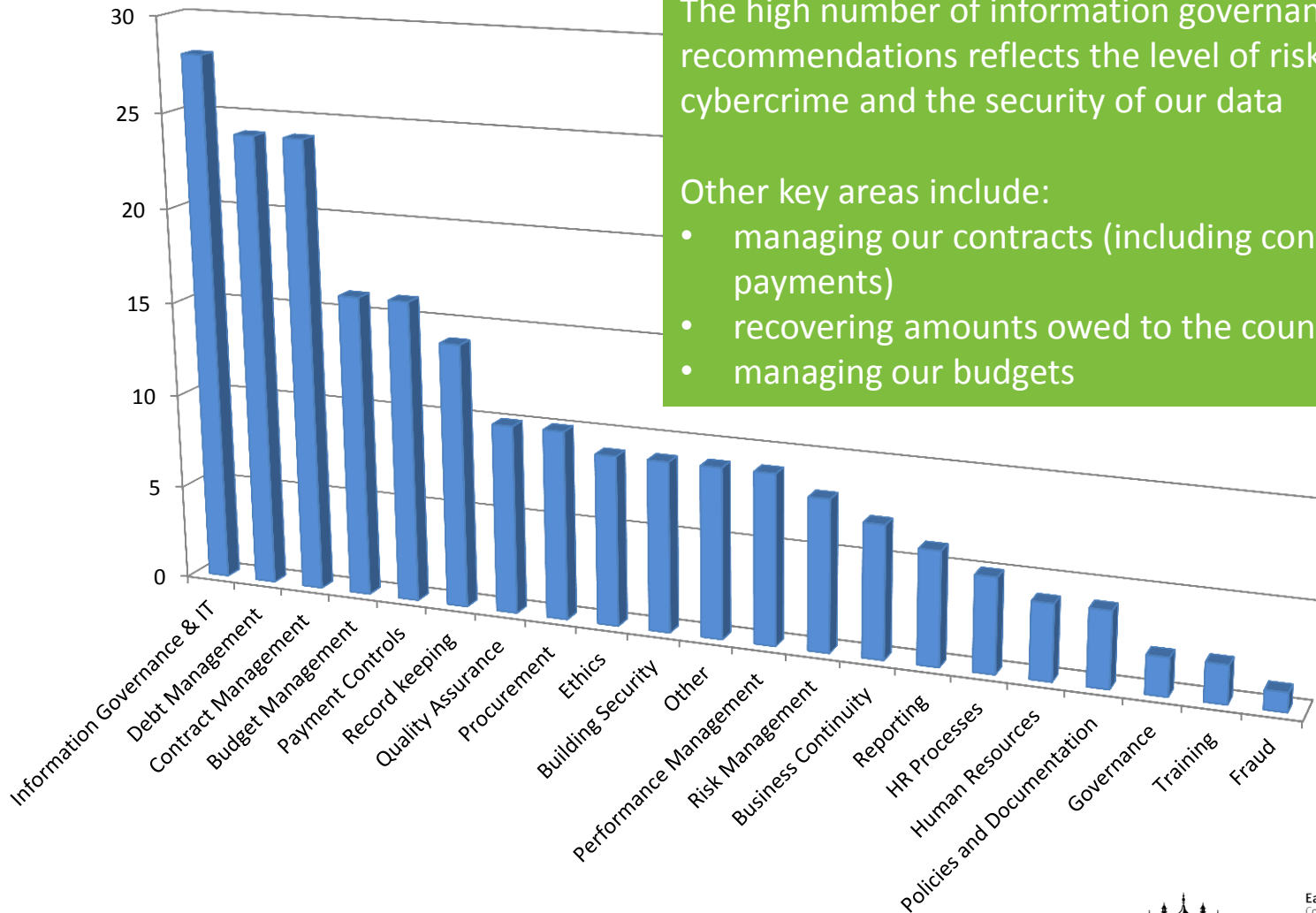
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# Audit recommendations by category



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The high number of information governance recommendations reflects the level of risk relating to cybercrime and the security of our data

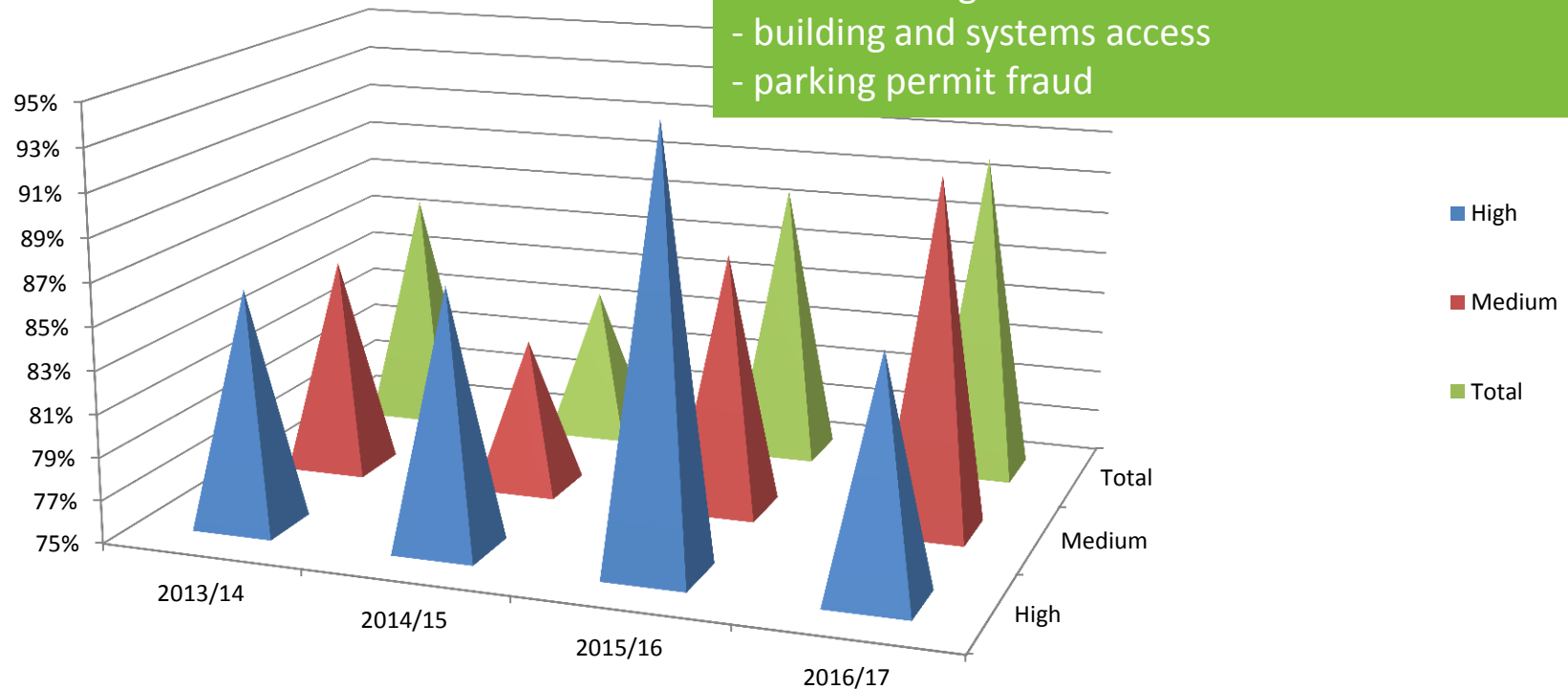
Other key areas include:

- managing our contracts (including controls over payments)
- recovering amounts owed to the council
- managing our budgets

# Recommendations implemented

Overall implementation rates improved to 90%. However, 14% of high priority recommendations have not been implemented (5% in 2015/16). This reflects the complexity of the issues raised such as:

- Information governance
- building and systems access
- parking permit fraud





# BHCC Internal Audit performance

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# Achievements



## Awards

- BHCC Big Difference finalist (Tenancy Fraud Amnesty)
- Orbis Ingenium winner (Kathleen Downes)

## Recovering assets and cash

- 20 council dwellings recovered
- 21 Right To Buys prevented
- £513k overpayments recovered
- £190k additional income identified



## Delivering assurance, strengthening controls

- 95% of audit plan delivered
- 90% of recommendations implemented
- Three lines of defence assurance framework in place
- Supported development of Audit & Standards Committee

## Supporting integration with Orbis

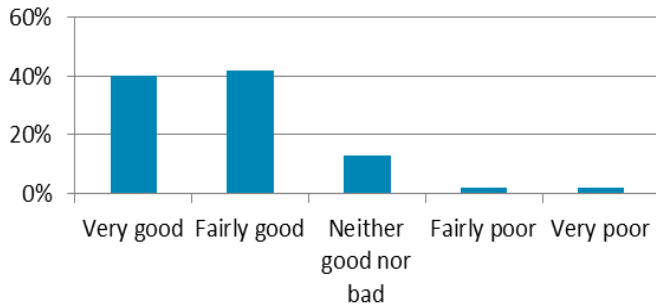
- Review of overall arrangements
- Secondments to/from Orbis
- Joint audit methodology developed
- Joint working piloted



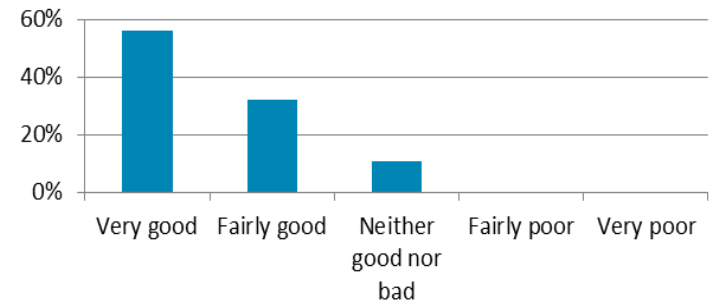
# Survey results



## Overall how was the standard of customer service you received? 2015/16

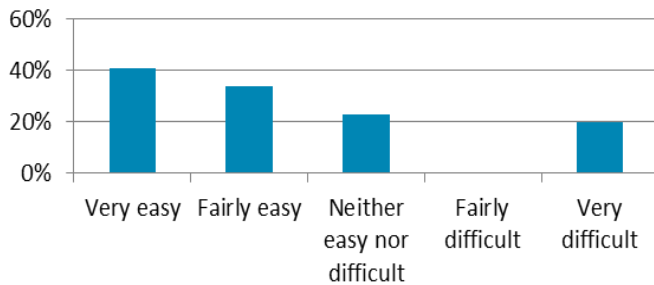


## 2016/17

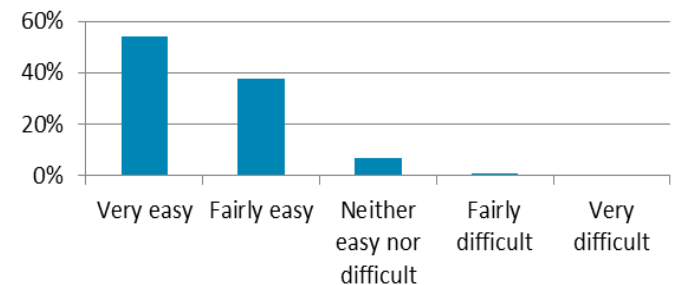


## Overall how easy or difficult is it for you to contact our service?

### 2015/16



### 2016/17



# Conformance with the Public Sector Internal Audit Standards

Brighton & Hove City Council 2016/17

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# Statement of conformance



The council's internal audit service conformed with International Standards for the Professional Practice of Internal Auditing for 2016/17

Requirement	Achieved?	Areas for improvement to be included in quality assurance improvement plan
Definition of internal audit	Yes	
Code of Ethics	Yes	
Attribute standards <ul style="list-style-type: none"> <li>• Purpose, authority and responsibility</li> <li>• Independence and objectivity</li> <li>• Proficiency and due professional care</li> <li>• Quality assurance and improvement programme</li> </ul>	Yes	Commission external assessment of conformance with professional standards  Set out formal arrangements for maintaining objectivity when carrying out consultancy work
Performance standards <ul style="list-style-type: none"> <li>• Managing the internal audit activity</li> <li>• Nature of work</li> <li>• Engagement planning</li> <li>• Performing the engagement</li> <li>• Communicating results</li> <li>• Monitoring progress</li> <li>• Communicating the acceptance of risk</li> </ul>	Yes	Fully embed integration with Orbis IA  Develop tool kit and deliver training to embed joint Orbis audit methodology

# Improving audit quality



## Quality improvements achieved in 2016/17

- ✓ Developed richer understanding of customer needs through nominated liaison leads
- ✓ Supported development of the corporate risk assurance framework and used for 2017/18 planning
- ✓ Completed Orbis professional due diligence
- ✓ Improvements in quality and efficiencies through developing joint audit approach, joint working and securing economies of scale
- ✓ Revised IA charter in response to changes in professional auditing standards

## Quality improvements planned for 2017/18

- Full integration with Orbis IA including
  - management responsibilities
  - working practices
  - quality assurance arrangements
- Set out formal processes for maintaining objectivity when carrying out consultancy work
- Develop tool kit and deliver training to embed audit approach
- Commission external review of compliance with professional auditing standards