

Subject:	Internal Audit Progress Report 2013/14		
Date of Meeting:	21 January 2014		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Audit Manager	Tel: 29-1314
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The purpose of this report is to update Members of the progress made against the Internal Audit Plan 2013/14, including outcomes of specific audit reviews completed and tracking of the implementation of recommendations.
- 1.2 The Audit and Standards Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports.
- 1.3 The report includes information on the work undertaken by the Corporate Fraud Team.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.

3. BACKGROUND INFORMATION

- 3.1 The Accounts and Audit (England) Regulations 2011 require the Council to undertake an adequate and effective internal audit of its system of internal control in accordance with proper practices. Proper practice is defined by Public Sector Internal Audit Standards.
- 3.2 The Internal Audit Strategy and Plan provides the framework to deliver this service ensuring the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.3 The Audit Plan sets out an annual schedule of those systems including core financial systems, governance frameworks, IT audits and other key operational systems.
- 3.4 Amendments to the plan are approved by the Executive Director of Finance and Resources and are reported as part of this monitoring report.

4. PROGRESS AGAINST THE AUDIT PLAN

- 4.1 A total of 30 reports now been finalised for the year to date. The 13 finalised since the last meeting are.

Final Audit Reports	Assurance Opinion*	Number of Recommendations and Priority
Declarations of Interest, Gifts & Hospitality (Officers)	Limited	2 x High 5 x Medium
Transport Workshop – City Clean	Limited	3 x High 6x Medium
Income Collection Arrangements	Reasonable	10 x Medium
Parks Service	Reasonable	1 x High 5 x Medium
Royal Pavilion Security	Reasonable	7 x Medium
Employment Checks	Reasonable	10 x Medium
Special Educational Needs	Reasonable	5 x Medium
Traded Services for Schools	Reasonable	2 x High 5 x Medium
Concessionary Fares	Reasonable	1 x High 1 x Medium
Members Expenses and Allocations	Substantial	1 x Medium
Community Safety	Substantial	2 x Medium
Estates Management/ Commercial Properties	Substantial	2 x Medium
Roadworks Improvement at Falmer	Not applicable	4 x High 3 x Medium

Note.* A definition of the Assurance Opinions given is provided in Appendix 1.

- 4.2 In addition there are 14 reviews where draft reports have been issued and are in the process of being finalised.
- 4.3 The total of draft and final reports is 44 at this point of the year which represents 42% of the approved audit plan. Another 32 audit reviews are in progress.

5. LIMITED ASSURANCE REPORTS

- 5.1 The audit report on Declarations of interest, Gifts and Hospitality gave only limited assurance. The review relates to Officers only. It reconfirmed findings from the previous year's audit that corporate processes are not sufficiently communicated, clear or embedded. Records are not being maintained in some areas of the council and the number of declarations actually made is judged to be very low for an organisation of the size of the council.
- 5.2 These shortfalls have now been acknowledged and the Executive Leadership Team (ELT) have given a commitment to ensure that these processes are improved and more effectively communicated as a high priority.

- 5.3 We also concluded limited assurance in respect of the Transport Workshop operation for City Clean. Further information on the findings is included in the Part 2 appendix to this report. We obtained a positive response from service management and actions were undertaken immediately after the audit to start addressing many of the risks identified.
- 5.4 There was one unplanned review relating to the roadwork Improvements at Falmer as part of the Community Stadium development. This was a specific audit of contract arrangements and debt recovery processes requested by the Executive Director of Finance and Resources. Further information on the specific findings is also included in the Part 2 appendix to this report.

6. CHANGES TO THE APPROVED AUDIT PLAN.

- 6.1 This report includes one change to the audit plan being a contract audit review relating to the Falmer Roadwork's.

7. COPORATE FRAUD TEAM WORK

- 7.1 Outcomes for housing benefit fraud investigation for the year to date are:-

Outcome	Year to Date	This Period
Prosecutions	30	9
Cautions	7	5
Administration Penalties	21	11
Overpayments	£725,000*	£103,200

Note. *Figure now excludes cases under investigation but includes cases awaiting prosecution

- 7.2 With regard to housing tenancy fraud the position is as follows;-

Outcome	Year to Date	This Period
Housing Stock returned	5	0
Housing Association properties	1	0

National Fraud Initiative Update

- 7.3 The exercise has now resulted in £338,700 in overpayments being identified for the year to date." This figure is split as follows creditors £1,600 Private residential Care Home Payments £15,600 and Housing Benefits £321,500.

8. IMPLEMENTATION OF RECOMMENDATIONS

- 8.1 For the year to date we have now followed-up on a total of 132 recommendations. The results of this exercise are summarised below. Further processes have been discussed and agreed for the escalation of issues to ELT where follow-up on our work has shown significant shortfalls with regard to the implementation of recommendations.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
132	99	75%

* Includes both fully implemented and part implemented

- 8.2 Where recommendations have not been implemented further action is being considered on a case by case basis.

9. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 9.1 It is expected that the Internal Audit Plan for 2013/14 will be delivered within existing budgetary resources. Progress against the Annual Internal Audit Plan and action taken in line with recommendations support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 08/01/14

Legal Implications:

- 9.2 Paragraph 3.1 of this report reflects the obligations imposed on the council by regulation 6(1) of The Accounts & Audit (England) Regulations 2011. It is a legitimate part of the Audit & Standards Committee's role to review the level of work completed and planned by internal audit.

Lawyer Consulted: Oliver Dixon

Date: 02/01/14

Equalities Implications:

- 9.3 There are no direct equalities implications arising directly from this report

Sustainability Implications:

- 9.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 9.5 There no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 9.6 The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

Corporate / Citywide Implications:

- 9.7 Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Report Assurance Levels: Definitions

Background Documents

1. Internal Audit Plan 2013/14
2. Public Sector Internal Audit Standards
3. Accounts and Audit Regulations 2011

APPENDIX 1.

Internal Audit Report Assurance Opinions: Definitions

FULL	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
SUBSTANTIAL	No significant improvements are required. Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
REASONABLE	The audit has identified some scope for improvement of existing arrangements. Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Council.
LIMITED	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance will lead to an increased risk of loss or damage to the Council. Not all major risks are identified and/or being managed effectively.
NO	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the Council. A high number of key risks remain unidentified and/or unmanaged.