

Subject:	Internal Audit Report and Opinion 2013/14		
Date of Meeting:	24 June 2014		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Acting Head of Internal Audit	Tel: 29-1314
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Ward(s) affected:	All		

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

- 1.1 This report presents the Internal Audit Report and Opinion for 2013/14. It summarises the work of the Internal Audit Team for the financial year 2013/14 as well as the work of the Corporate Fraud Team.
- 1.2 The report, attached as Appendix 1, incorporates the Acting Head of Internal Audit's opinion on the system of internal control.

2. RECOMMENDATIONS:

- 2.1 That Audit & Standards Committee note the Annual Opinion and details of the work carried out by the Internal Audit and Corporate Fraud Teams during 2013/14, as summarised in section 4 of this report and set out in full in Appendix 1.

3. BACKGROUND INFORMATION

- 3.1 The Internal Audit Team provides a service in accordance with an Annual Plan and Strategy approved by this Committee.
- 3.2 The work is carried out in accordance with the Accounts and Audit Regulations 2011 that require the council 'to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with proper practices'. These proper practices are the Public Sector Internal Audit Standards.
- 3.3 Internal audit is a key part of the Council's governance framework and specifically in providing an assessment of the adequacy and effectiveness of the internal control and risk management arrangements.
- 3.4 To be effective it is important that the service is delivered in accordance with best practice and that internal control weaknesses are both identified and addressed.

The annual report summarises and concludes based on the work carried out by the Internal Audit Team in the year.

- 3.5 The report is set out in Appendix 1. As well as the Annual Opinion, it incorporates details of the work undertaken including a list of audit reviews and individual assurance opinions, together with analysis of recommendations made and follow-up work to ensure that recommendations are implemented. It also includes information on the work of the Corporate Fraud Team in the year.
- 3.6 The Annual Opinion and findings from individual reviews are also used to inform the drafting of the Annual Governance Statement.

4. MAIN CONCLUSIONS FROM THE ANNUAL REPORT AND OPINION

- 4.1 The Annual Report and Opinion, Appendix 1, concludes that Reasonable Assurance can be provided on the effectiveness of the Council's control environment for the 2013/14 financial year. This is the same opinion as was given for the 2012/13 financial year.
- 4.2 This opinion is based on the completion of 87 reviews during the year together with follow-up work on recommendations made and risks and control weakness identified when undertaking counter fraud work.
- 4.3 An analysis of the audit opinions given during the year found that 37% of audit areas reviewed were given Substantial Assurance, 49% Reasonable Assurance and 11% Limited Assurance. These results were consistent with the previous financial year.
- 4.4 The number of high and medium priority recommendations made in 2013/14 was 370. This was slightly less than the preceding financial year although the number of high priority recommendations had increased slightly. Analysis of the High Priority Recommendation found that the most common control shortfalls related to procurement and contract issues. The second most common was where dual control and/or a separation of duties were not evidenced in key processes.
- 4.5 During the year the service aimed to improve the arrangements for the follow up and tracking of recommendations. This work found that 85% of medium priority recommendations previously made had been implemented and 86% of high priority ones. Further work is scheduled to revisit where high priority recommendations are outstanding.
- 4.6 Other key indicators on the effectiveness and efficiency of the service are contained in Appendix 1.
- 4.7 The Corporate Fraud Team had a successful year with 39 prosecutions relating to Housing Benefit and Council Tax Reduction Benefit fraud and 37 other sanctioned cases. In addition, the investigation of tenancy fraud resulted in the council recovering 10 properties in the year.

- 4.8 It should be noted that the majority of the existing Corporate Fraud Team are likely to transfer to the Department of Work and Pensions (DWP) as part of the Single Fraud Investigation Service Transfer Arrangements (SFIS) in October 2014. Management is currently supporting these transfer arrangements and assessing the need for a residual corporate fraud service.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The Internal Audit & Opinion Annual Report 2013/14 outlines how resources were applied, the internal control recommendations, savings through counter fraud and other issues. The Internal Audit Plan for 2013/14 was delivered within budgetary resources for the year.

Finance Officer Consulted: James Hengeveld

Date: 09/06/14

Legal Implications:

- 5.2 The statutory basis for conducting internal audit work is regulation 6 of the Accounts and Audit Regulations 2011. This provision imposes a duty on the council to undertake internal audit functions as described in paragraph 3.2 above.

Lawyer Consulted:

Oliver Dixon

Date: 29/05/14

Equalities Implications:

- 5.3 Effective systems of internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the community.

Sustainability Implications:

- 5.4 There are no direct sustainability implications resulting from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Report and Opinion 2013/14

Background Documents

1. Accounts and Audit Regulations 2011
2. Public Sector Internal Audit Standards
3. Internal Audit Strategy and Plan 2014/15