

**Body:** AUDIT AND GOVERNANCE COMMITTEE

**Date:** 12<sup>TH</sup> MARCH 2014

**Subject:** Internal Audit Report to 31<sup>ST</sup> December 2013

**Report Of:** Internal Audit Manager

**Ward(s)** All

**Purpose** To provide a summary of the activities of Internal Audit for the third quarter of the financial year 2013/14.

**Recommendation(s):** That the information in this report be noted and members identify any further information requirements.

That the updated Audit Charter and Audit Manual be adopted by the committee

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## 1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2013/14 was agreed by the Audit and Governance Committee in March 2013.

## 2.0 Review of work in the third quarter of the financial year 2013/14.

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April to 31<sup>st</sup> December 2013 is as follows:

Theatres Reconciliations (Annual 2012/13)	Performing Inadequately
Treasury Management (Annual 2012/13)	Performing Excellently
Council Tax (Annual 2012/13)	Performing Excellently
Information Governance – Records Management	Performing Inadequately
Debtors (Annual 2012/13)	Performing Excellently
Benefits (Annual 2012/13)	Performing Well
IT (Annual 2012/13)	Performing Excellently
Payroll (Annual 2012/13)	Performing Excellently
Project Management Controls	Performing Adequately
Cemeteries and Crematorium	Performing Excellently

Cafi Creditors	Performing Well
Creditors (Annual 2012/13)	Performing Well
Catering	Performing Inadequately
Repairs and Renewals (EHL)	Performing Excellently
Safeguarding	Performing Excellently
Community Grants	Performing Well
Destination Management System	Performing Excellently
Land Charges and Searches	Performing Well
Civica Icon	Performing Adequately
Business Continuity Planning	Performing Excellently
Corporate Equalities	Performing Excellently
HR Management	Performing Well
Corporate Complaints	Performing Adequately

### Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 During this quarter no reviews have been issued with an assurance level of Inadequate.

2.3 Appendix A shows the work carried out against the annual plan to the end of December 2013. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – work has just started on this year’s reviews so the total days shown are a mixture of last year’s work completed in this and the start of work for this year.
- A review of Void Management had been requested and was included in the annual audit plan. However the Senior Head of Community, in discussion with Eastbourne Homes Ltd, has agreed that this review does not now need to be carried out.
- The review of Land Charges and Searches exceeded the time allocated in the plan. This was due to both the time allocated being inadequate and issues with the level of access given to the auditor to the necessary software to adequately audit the work.
- Work on Grant claims has gone over allocated time as extra work was required by the external auditors.
- No consultancy work was carried as planned. Consultancy from Internal Audit is a new concept for the authority and, as yet, there has been little take up of this service. Work will be carried out next financial year on discussing with Senior Management how consultancy

from Internal Audit can be utilised and a strategy and procedures can be put together.

- 2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given.
- 2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.
- 2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.
- 2.7 Appendix D was reviewed by CMT and comments from Heads of Service have been included in the final column.

### 3.0 Frauds over £10k

- 3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.
- 3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.
- 3.3 No frauds over £10k were reported in the third quarter of 2013/14 which means that only one fraud over £10k has been reported so far this financial year.

Overpayments over £10,000 between 01/04/13 and 31/12/13					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
LTAHW	Living Together	HBM S	11-Jul-13	Prosecution	£41,030.24

- 3.4. The Fraud Investigations Manager reported that during the third quarter the team had identified £180,000 of incorrectly claimed housing benefit but that there had been no frauds of over £10k noted. This can be seen as an indication that the team are working well to spot frauds earlier and that the Benefit Section is identifying potential fraudulent claims quickly.

### 4.0 Updating Audit Documents

- 4.1 Audit documents are reviewed annually to ensure that they remain current. In recent years few amendments have been made and therefore both the Audit Charter and the Audit Manual have not been seen by the Audit and

Governance Committee as both were formally adopted by the Audit Task Group. Both documents have been updated this year to include references to the new Public Sector Internal Audit Standards (PSIAS) and some sections added to ensure compliance with the standards.

- 4.2 Audit Charter – the charter is the document that defines Internal Audit’s purpose, responsibility and position within the Council. Two sections have been included to add clarity and ensure compliance with the PSIAS. These are section 7 – Scope, and section 8 – Assurance. Scope aims to clarify the areas of work that Internal Audit can undertake. Assurance makes clear that Internal Audit’s work can only provide “reasonable” assurance and cannot be relied upon to identify all circumstances of fraud or irregularity.
- 4.3 Audit Manual – this is a document which contains the various steps of carrying out an audit review from planning to follow up. At 10.4 a paragraph has been added to explain “reasonable assurance” and at 11.7 a section has been added covering consulting assignments.
- 4.4 In view of these changes, along with the fact that the current committee had not viewed these documents, it was felt timely to bring them to the meeting for review and adoption.

## **5.0 Consultation**

- 5.1 Respective Service Managers and Heads of Service as appropriate.

## **6.0 Resource Implications**

- 6.1 Financial – Delivered within the approved budget for Internal Audit
- 6.2 Staffing – None directly as a result of this report.

## **7.0 Other Implications**

- 7.1 None

## **8.0 Summary of Options**

- 8.1 None

## **9.0 Recommendation**

- 9.1 That the information in this report be noted and members identify any further information requirements.
- 9.2 That the updated Audit Charter and Audit Manual be adopted by the committee.

**Jackie Humphrey**  
**Internal Audit Manager**

**Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*