

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 24th SEPTEMBER 2014

Subject: Internal Audit Report to 30th June 2014

Report Of: Internal Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the first quarter of the financial year 2014/15.

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

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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 2014/15 was agreed by the Audit and Governance Committee in March 2014.

2.0 Review of work in the first quarter of the financial year 2014/15.

- 2.1 A list of all the audit reports issued in final from 1st April to 30th June 2014 is as follows:

Benefits (Annual 2013/14)	Performing Well
Cash and Bank (Annual 2013/14)	Performing Excellently
Council Tax (Annual 2013/14)	Performing Excellently
Creditors (Annual 2013/14)	Performing Excellently
Debtors (Annual 2013/14)	Performing Excellently
Main Accounting (Annual 2013/14)	Performing Well
NNDR (Annual 2013/14)	Performing Excellently
Payroll (Annual 2013/14)	Performing Excellently
Treasury Management (Annual 2013/14)	Performing Well
IT (Annual 2013/14)	Performing Excellently
Theatres Reconciliation (Annual 2013/14)	Performing Well
Events	Performing Adequately

GIS LLPG	Performing Adequately
Daily Cash Reconciliations	Performing Well
Risk Management	Performing Well

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 Appendix A shows the work carried out against the annual plan to the end of June 2014. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – The number of days taken to carry out the work currently refers to work which relates to the last financial year but which was carried out in this year.

2.3 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. NB. These are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed. Appendix C gives the updated position.

2.4 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.

2.5 Where the column “priority” in Appendix C shows “High” the outstanding recommendations, and client comments from the report, have been listed at Appendix D. Appendix D is designated as “Confidential” to reduce the risk of opportunities to commit fraud. 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.

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 first quarter of 2014/15.

4.0 Resources

4.1 The IT Auditor handed in her notice and left the Council on 5th September. A recruitment process has been undertaken to replace this member of staff. It is known that there is a dearth of IT Auditors in the marketplace and therefore it was decided to advertise the post as an Internal Auditor role but with IT skills/audit as desirable.

4.2 Interviews took place on 18th August and a preferred candidate has been contacted. At the time of writing this report the post had been verbally accepted and references were being taken up.

4.3 Whilst it has been endeavoured to replace the post as soon as possible the new postholder is not experienced in audit/IT audit and time will have to be spent in training them. However it is felt that the person will pick up the work quickly. Inevitably the time between the current officer leaving and the new one beginning plus the training to be undertaken will impact on the completion of the audit plan/IT audits. The impact of this will be reported to the committee at the next meeting.

5.0 Auditing Protocol for Shared Services/Joint Contracts

5.1 With the continuing move toward taking advantage of cost savings local authorities are entering into, or considering, more shared service arrangements or joint contracts. An example of each at Eastbourne is Building Control and the Waste contract.

5.2 With the prospect of more of these being set up in future the subject of auditing these was raised at the Sussex Audit Group. Although it is currently accepted that any audit review will be carried out by the lead authority there is no process or agreement in place around discussing the scope of the review or sharing the findings.

5.3 It was therefore proposed to the group that a protocol be drawn up for auditing shared services/joint contracts so that there was a set process to be followed which would give assurance to Members, managers and audit teams themselves, that such reviews would be carried out with the full knowledge of all involved.

5.4 This idea was agreed by the Sussex Audit Group and a draft protocol was taken back to the group. This was supported by the group. A few authorities, including Rother, Wealden and Lewes, have agreed to adopt the protocol. The remainder of the authorities represented on the group reported that they did not yet have any shared services/joint contracts and therefore will not formally adopt these until such time as they have.

5.5 A copy of the protocol is appended and the Committee is asked to consider this and, if acceptable, to adopt this for Eastbourne.

6.0 Consultation

6.1 Respective Service Managers and Heads of Service as appropriate.

7.0 Resource Implications

7.1 Financial – Delivered within the approved budget for Internal Audit

7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

8.1 None

9.0 Summary of Options

9.1 None

10.0 Recommendation

10.1 That the information in this report be noted and members identify any further information requirement and timescales.

Jackie Humphrey
Internal Audit Manager

Background Papers:

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

None