

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 21 SEPTEMBER 2016

Subject: Internal Audit Report to 30th June 2016

Report Of: Internal Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the year 1st April 2016 to 30th June 2016.

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

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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 2016/17 was agreed by the Audit and Governance Committee in March 2016.

2.0 Review of work in the financial year 2016/17.

- 2.1 A list of all the audit reports issued in final from 1st April 2016 to 30th June 2016 is as follows:

NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

Open Revenues	Performing Well
Debtors (Annual 2015/16)	Performing Excellently
Planning (process)	Performing Well
Housing Rents (Annual 2015/16)	Performing Well
Creditors (Annual 2015/16)	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 Appendix A shows the work carried out against the annual plan to the end of June 2016. The following comments explain the main points to be noted from the table:

- Once the annual reviews were completed work was undertaken on outstanding follow ups before moving on to beginning new audit reviews.
- Following the external auditor's qualification of the 2014/15 Housing Benefit final subsidy claim the DWP required further work to be undertaken in light of errors found due to the data migration between Northgate and Open Revenues. Civica had analysed cyclic payments above £6000, however the DWP required the authority to undertake further work to enable the external auditor to conclude that the affected subsidy cells are fairly stated or to quantify, via an extrapolation, the amount of misstated expenditure (relating to cases under £6,000).

2.3 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Well", with any issues highlighted in the reviews which informed the assurance level given.

2.4 The committee is reminded that 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

2.5 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, have been listed at Appendix C. 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.

2.6 Appendix C was reviewed by CMT. As a comment was added for Events for the last report and the area will not be followed up until the autumn no further comment has been added. Also, as a follow up of Licences was recently carried out the comments for this have been added.

3.0 Peer Review

- 3.1. As reported in annual self assessment of Internal Audit, the Public Sector Internal Audit Standards state that an external review should be carried out at least every 5 years.
- 3.2. When these standards came into effect the Sussex Audit Group decided to carry out these reviews as a peer review exercise. A table was set up to ensure that neighbouring authorities did not audit each other and to enable a "critical friend" review before that actual review took place.
- 3.3. The "critical friend" role for Eastbourne was carried out by the Chief Internal Auditor at Horsham District Council. The feedback received was positive and a few minor alterations were made to processes before the full review began.
- 3.4. The full review was carried out by the Audit and Risk Manager at Crawley Borough Council and by the Head of Internal Audit at Adur and Worthing Councils (employed by Mazars).
- 3.5. The review itself consisted of looking at examples of forms, documents and work carried out by the section and comparing these to the requirements of the Public Sector Internal Audit Standards. Questionnaires were also sent to all Senior Heads of Service, the Chief Executive and the Chair of the Audit and Governance Committee.
- 3.6. The review took longer than planned owing to the workload of the Head of Internal Audit at Adur and Worthing. Also, Eastbourne is the first member of the Sussex Audit Group to undergo the review and therefore all involved were learning as they went along. The lessons learned from carrying out the process will now be fed back to the Sussex Audit Group to aid those who are next to have the review carried out.
- 3.7. The final report has now been issued and the final assessment is that internal audit function at Eastbourne "generally conforms" with the Public Sector Internal Audit Standards.
- 3.8. There were nine recommendations made all of which are relatively minor and, if not already addressed, will be addressed as soon as possible.
- 3.9. The following are the recommendations made in the report along with timescales and responses.

Remedial Actions	Target Date	Responsibility
Include in the Internal Audit Charter details of how the Internal Audit section provides assurance regarding the adequacy of the risk management framework.	January 2017	Internal Audit Manager
Consider asking the S.151		The Internal Audit Manager raised this with the S.151

officer to send completed appraisal document for the Internal Audit Manager to the Chair of the Audit and Governance Committee and invite comments.		officer when the standards were first published. The S.151 officer is of the view that the Chair meets with the Internal Audit Manager before each committee meeting and can meet with the S.151 officer at any time, therefore any issues the Chair may have can be raised then.
Include reference to declaration of interests of audit staff in the Audit Charter.	January 2017	Internal Audit Manager This is already in the Code of Ethics but the Charter will be updated to make reference to this.
Audit staff to declare conflicts of interest when they arise and not just annually.	January 2017	Internal Audit Manager The reference to conflicts of interest in the Code of Ethics implies auditors must consider this at all times. Experience shows that auditors do in fact report any conflicts as and when they occur. However this will be made explicit.
Consideration should be given to developing an assurance framework.	April 2017	Internal Audit Manager
Key auditees/contacts to be recorded in working papers/audit brief.	Already put in place	This was put in place as soon as it was flagged up. Names are not given as this is not our policy in reports but roles are given now in both the working programme and the report.
Record/retain approval of audit brief	Already put in place	This was put in place as soon as it was flagged up. Staff have already been informed that they must do this.
Record review/approval of work programme by a senior staff member/IAM before use by auditor.	Already put in place	Where the Internal Audit Manager makes comments these are saved on the form in the appropriate folder. However, there was a lack of saving emails which agreed the programme when no comments had been made. Auditors were made aware of this when the point was first raised.
Minute details of exit meetings	December 2016	Internal Audit Manager

4.0 Corporate Fraud

- 4.1. Work has been continuing on looking at fraud risks in the process of housing application to allocation of tenancy.
- 4.2 A new case management system has been purchased using money granted through the East Sussex Fraud Hub. Work has been ongoing in setting up the system and beginning to populate it with cases.
- 4.3 52 investigations were concluded in the quarter with a further 72 remaining open. These cases include Right to Buy applications, incorrect Council Tax discount, unregistered properties, Council Tax Reduction scheme undeclared changes of circumstance, subletting, abandonment and undeclared capital.
- 4.4. Appendix D shows the work of the Corporate Fraud team across the year.

5.0 East Sussex Counter Fraud Hub

- 5.1. A new case management system rolled out to all Hub members, with the exception of Brighton and Hove who continue to use their existing system. The introduction of this system will enable consistency of recording and reporting of investigations and their outcomes across the Hub.
- 5.2. Training was provided to investigators and managers on "Open Source" (using the internet as a source of information gathering). A RIPA refresher course was also provided to members of the hub and extended to other officers within member authorities.
- 5.3. Lewes and Wealden have used Hub funding to purchase Housing Partner's "Who's Home" program which has now been renamed Insite.
- 5.4 Owing to the absence of the Corporate Fraud Manager it was not possible to report on the full year performance figures of the Hub at the last meeting. These are now reported at Appendix E and show that the Hub performed well against the set targets. It has not been possible to report the first quarter figures for this year as two authorities have yet to forward their figures. However with the introduction of the new case management system outcomes will be recorded which can then be accessed centrally in order to produce the figures to report.

6.0 Consultation

- 6.1 Respective Service Managers and Directors 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 requirements.

Jackie Humphrey
Internal Audit Manager

Background Papers:

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

Sussex Audit Group – Peer Review of Eastbourne Borough Council