

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	26 JUNE 2013
<b>Subject:</b>	Internal Audit Report to 31 <sup>st</sup> March 2013
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	<p>To provide a summary of the activities of Internal Audit for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.</p> <p>To document the Internal Audit Manager's opinion of the internal control environment as required for the Annual Governance Statement</p>
<b>Recommendation(s):</b>	<p>To consider and comment on the work of the Internal Audit section and the reporting of frauds over £10k</p> <p>That the Committee note the information in the report on the adequacy of the internal control systems and compliance with the Code of Practice for Internal Audit in Local Government and take these into account when considering the accompanying report on the Annual Governance Statement.</p>
<b>Contact:</b>	<p>Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925.</p> <p>E-mail address jackie.humphrey@eastbourne.gov.uk</p>

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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 2012/13 was agreed by the Audit Committee in March 2012.

## **2.0 Review of work in the financial year 2012/13.**

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

NNDR (Annual 2011/12)	Performing Excellently
Cash and Bank (Annual 2011/12)	Performing Well
Payroll (Annual 2011/12)	Performing Excellently
Creditors (Annual 2011/12)	Performing Well
Council Tax (Annual 2011/12)	Performing Excellently
Benefits (Annual 2011/12)	Performing Excellently
Housing Rents (Annual 2011/12)	Performing Well
Claims work for PKF 2011/12	Performing Well
Housing	Performing Well

Health and Safety	Performing Well
Covalent	Performing Well
Northgate	Performing Excellently
Postal Services	Performing Excellently
Devolved Budgets	Performing Well
Theatres	Performing Well
Officers' Expenses	Performing Adequately
Use of Council Vehicles	Performing Inadequately
Asset Management Plan	Performing Well
Civil Contingencies	Performing Well
Café Debtors	Performing Excellently
Elections and Electoral Register	Performing Excellently
APP	Performing Excellently
IT Policies and Procedures	Performing Excellently
Food Safety and Hygiene	Performing Adequately
Improvement Grants (DFGs)	Performing Well
Towner (Collection)	Performing Adequately
NNDR (Annual 2012/13)	Performing Excellently
Cash and Bank (Annual 2012/13)	Performing Excellently
Financial Ledger (Annual 2012/13)	Performing Excellently

### 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 March 2013.

2.3 The following comments explain the main points to be noted from the table:

Follow ups from previous year	– continuing to carry out follow ups where recommendations haven't been addressed.
Theatres	– Extra time was taken in reworking reconciliations following issues raised by PKF.
Follow ups from previous year	– continuing to carry out follow ups where recommendations haven't been addressed.

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. Particular attention should be paid to the review for Use of Council Vehicles which has an Inadequate level of assurance.

- 2.5 Use of Council Vehicles was given an assurance level of Performing Inadequately because the draft policy had some important omissions around use, recording journeys, security of keys and carrying out checks on driving licences. Without these in the policy and with the policy being only in draft it means that the controls around this system are weak. However, although given the "inadequate" assurance level, it has been agreed by CMT that this not be included in the Annual Governance Statement since the overall risk to the Council is not high.
- 2.6 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.
- 2.7 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.
- 2.8 Appendix D has been taken to CMT and their comments have been requested on the outstanding recommendations and these have been added in the final column of the table. There is only one review on this list now and progress is being made on the recommendations with a follow up review due in June.

### 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.
- 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 The list of benefit frauds over £10k for the financial year 2012-13 is therefore included here for information.

Overpayments over £10,000 between 01/04/12 and 31/03/13						
Suspected Fraud	Proven Fraud	Source of Info	DWP Involvement	Completed	Progress & Outcome	Over payment
UND Capital	Und Capital	DWP - FPA	With DWP Interest	11-Apr-12	Prosecution	24,184.68
UND Capital	Und Capital	DWP	With DWP Interest	08-May-12	Proven - WIB & OP claimed	29,904.61
Working	Claimant Working	DWP - FPA		19-Jun-12	Prosecution	45,737.59
UND Capital	Und Capital	DWP - FPA	With DWP Interest	11-Jul-12	Proven - WIB & OP claimed	25,696.51
UND Income	Undeclared Income	Benefits	No DWP Interest	22-Aug-12	Prosecution	14,192.89

Living Together As Husband and Wife	Living Together	NFI	DWP Interest but not JW	31-Oct-12	Prosecution	54656.92
Not Living There	No Longer At Property	HBMS	No DWP Interest	04-Dec-12	Prosecution	16182.80

All these Overpayments are being pursued for repayment despite formal or informal action being taken.

- 3.4 No frauds were reported in the final quarter of the year.
- 3.5 As part of the work carried out to inform the Annual Governance Statement, Heads of Service are now directly asked if they are aware of Frauds over £10k other than benefit frauds. None were reported.
- 3.6 At the last meeting several questions were raised which were responded to by the Benefit Fraud Manager. The questions and answers have been included at appendix E.

#### **4.0 Annual Governance Statement**

- 4.1 The work referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by the auditors. It is the opinion of the Internal Audit Manager Internal that controls across the authority were generally found to be sound.
- 4.2 CMT were asked to consider potential governance issues to be reported in the Annual Governance Statement. Several areas were put forward for consideration and discussed by CMT. The results are reported in the Annual Governance Statement report.

#### **5.0 Self Assessment**

- 5.1 A self assessment of the work of the audit function against the CIPFA Code of Practice for Internal Audit is required to be carried out annually. The Code of Practice covers all areas of the internal audit function from the scope and independence of Internal Audit to reporting, performance and effectiveness. The self assessment (see appendix F) shows a compliance rating of 99.73%. The self assessment is also reviewed by the external auditors.
- 5.2 As of April 2013 there are new standards for the Internal Audit service, the Public Sector Internal Audit Standards. The end of year report next June will report on compliance with the new standards.

#### **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, staff are engaged in risk matters on an ongoing basis.

## **8.0 Other Implications**

8.1 None

## **9.0 Summary of Options**

9.1 None

## **10.0 Recommendation**

10.1 That the Committee note the information in the report on the adequacy of the internal control systems and compliance with the Code of Practice for Internal Audit in Local Government and take these into account when considering the accompanying report on the Annual Governance Statement.

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

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## **Background Papers:**

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

*None*