

**Body:** AUDIT AND GOVERNANCE COMMITTEE

**Date:** 29 NOVEMBER 2017

**Subject:** Internal Audit Report to 30<sup>TH</sup> SEPTEMBER 2017

**Report Of:** Audit Manager

**Ward(s)** All

**Purpose** To provide a summary of the activities of Internal Audit for the first quarter of the year 1<sup>st</sup> April 2017 to 30<sup>th</sup> September 2017.

**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 2017/18 was agreed by the Audit and Governance Committee in March 2017.

## 2.0 Review of work carried out in the first quarter of the financial year 2017/18.

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April 2017 to 30<sup>th</sup> September 2017 is as follows:

Main Accounting (Annual 2016/17)	Performing Excellently
Payroll (Annual 2016/17)	Performing Adequately
Security of Data Movement	Performing Adequately
IT Contract	Performing Well
Change Controls	Performing Well
VAT	Performing Excellently
Box Office Computer System	Performing Excellently
Cafi Debtors	Performing Excellently
Engineering	Performing Well
Insurances	Performing Well
Building Health and Safety	Performing Adequately

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

**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 No reports have been issued with an assurance level of inadequate in this quarter.

2.3 Appendix A shows the work carried out against the annual plan to the end of June 2017. The following comments explain the main points to be noted from the table:

- IT Contract and Change Controls – when the draft audit plan was put together in February 2017, it was not known whether these could be started in 16/17 and therefore they were carried forward into the 17/18 plan. However, these were started in the last financial year and were just completed in the first quarter of 17/18. The unused allocated time will be used to carry out other audits to be considered later in the year.
- It will be noted that only three reports have been issued in final during the second quarter. This is due to an internal auditor leaving at the beginning of June and a replacement only taking up the post at the end of July. The new auditor then had to be trained.

2.4 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.

2.5 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. In order to clarify this a column has been added to show the assurance level given in the latest follow up carried out.

2.6 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, will be 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.

- 2.7 However, there is no appendix C attached to this report there are no outstanding actions relating to audits that were issued with an "inadequate" assurance level.

### **3.0 Corporate Fraud**

- 3.1. The Counter Fraud Manager left on 6<sup>th</sup> October. An internal applicant was interviewed on 13<sup>th</sup> September and was appointed to the post. The member of staff comes from Eastbourne's Case Management team and took up the post on 16<sup>th</sup> October. Handover sessions were held before the previous manager left.
- 3.2 Work continues on Council Tax Reduction Cases where there had been no changes reported for two or more years. To date, 183 cases have been reviewed resulting in £26,096 in weekly incorrect benefit cancelled and £51,776 in Council Tax excess being identified. During this exercise errors and weaknesses in working practices have been identified and fed back to the relevant managers.
- 3.3. During the second quarter 13 Right to Buy applications were checked by the team and five were withdrawn or cancelled.
- 3.4. 177 matches produced by NFI were checked during the quarter. None were found to be either errors or frauds.
- 3.5. The two year contract with Housing Partners has come to an end. Owing to issues with the quality of data held on Orchard and the issues with extracting data from it the contract has not been renewed. However, this decision will be reviewed when the new Housing Management System has been fully implemented.
- 3.6. Appendix D shows the work of the Corporate Fraud team for the first half of the year. This shows that the cost of the team for the first half of the year was 3.62% of the savings that they identified.

### **4.0 East Sussex Counter Fraud Hub**

- 4.1. Work has continued in looking at how other Hubs operate data matching and mining functions. Visits have been made to Kent Investigation Network and Surrey to look at the systems that they use and how well they are operating. A presentation has also been given by a company who provide data matching and mining services. A report will be presented to the Hub with proposals for consideration by the Hub members and for recommendations to the Board.

### **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.

**Jackie Humphrey**  
**Audit Manager (Eastbourne)**

**Background Papers:**