

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 7 MARCH 2018

Subject: Internal Audit Report to 31ST December 2017

Report Of: Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the period 1st April 2017 to 31st December 2017.

Recommendation(s):

- That the information in this report be noted and members identify any further information requirements.
- To approve the proposed revised version of the Charter for Audit and Counter Fraud (see Appendix A).

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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 period 1st April to 31st December 2017/18.

- 2.1 A list of all the audit reports issued in final from 1st April 2017 to 31st December 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
Cafi GL	Performing Excellently
Corporate Plan	Performing Excellently

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:

- During the quarter October to December the focus of the work of the audit team moved to the annual reviews meaning that work on the other audits of the plan is now at a minimum.
- Two of the annual reviews have already exceeded the time allocated. This is due to one being carried out by the new member of staff who has never undertaken annual reviews and the other is being carried out by a member of staff who has never audited that area previously.

Previously reported:

- 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

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 Corporate Fraud Team (CFT) has had a number of changes of personnel during this period; with the return of the Corporate Fraud Officer from maternity leave in December and the appointment of a new Corporate Fraud Investigations Manager in October. Despite the disruption to the team and adjustments applied to factor in the Joint Transition Plans implemented across Lewes and Eastbourne councils, a steady work flow has continued.
- 3.2. Work continues with Right to Buy applications, 18 applications have passed through the Corporate Fraud Team. Nine of which resulted in the applications being withdrawn or cancelled.
- 3.3. During the 3rd quarter, 125 Council Tax Reduction (CTR) cases, where no change has been reported for two years, have been investigated. To date, 300 cases have been reviewed, resulting in £34,272.00 in weekly incorrect CTR being cancelled and £56,608.93 in CTR excess being identified. As part of this exercise other errors are also being identified, including Council Tax occupancy, Single Person Discount and Housing Benefit.
- 3.4. The Tenancy Occupancy Review project, to update tenant information held on the Orchard system, has almost been completed with only a handful of cases outstanding. The Corporate fraud team has had success during this period with a proven false housing application and false homeless application, saving the council in excess of £36000.

4.0 Audit Charter

- 4.1. The Public Sector Internal Audit Standards (PSIAS) have been updated, with new standards published in April 2017. The Head of Audit and Counter Fraud has reviewed the PSIAS for their impact on Internal Audit and Counter Fraud. The changes are not significant, being mainly concerned with clarifications to the wording in areas dealing with issues such as safeguarding the independence of Internal Audit, the monitoring of the effectiveness of Internal Audit and the role of Internal Audit in improving an organisation's governance processes. The Head of Audit and Counter Fraud believes that the changes are not sufficiently material to justify a separate report to the Committee.

- 4.2. The formal integration of the Internal Audit and Counter Fraud Teams in EBC and LDC took place on 1 July 2017 as part of the integration of the majority of council services via the Joint Transformation Programme (JTP). The review of the PSIAS 2017 has provided the opportunity to update the Charter to introduce a common approach for the shared services at both councils.
- 4.3. Previous versions of the respective charters at both LDC and EBC covered only Internal Audit. The review of the PSIAS 2017 has provided the opportunity to update the Charter to include the shared Counter Fraud services for both councils.
- 4.4. A copy of the revised Charter is given at Appendix E. The contents of the Charter are divided into the following sections:
- Introduction
 - Purpose
 - Requirement for Internal Audit and Counter Fraud
 - Authorisation
 - Organisation and Relationships
 - Role and scope
 - Mission Statement and Service Objectives
 - Independence
 - Professional Standards
 - Audit Strategy and Resources
 - Reporting
 - Quality Assurance and Improvement
 - Code of Ethics for Internal Audit and Counter Fraud
- 4.5. The revised Charter reflects the wording of the PSIAS 2017 and the equivalent guidance for counter fraud work – the CIPFA Code of Practice on managing the risk of fraud and corruption.

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.
 - To approve the proposed revised version of the Charter for Audit and Counter Fraud (see Appendix E).

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers: