

Audits Completed in Quarter 4 (January to March 2019)

Payroll – Substantial Assurance

The council's payroll and HR processes are hosted on the Council's Personal Information and Employment Resource (PIER) system. The system covers salary, overtime and other employment related payments, such as travel and subsistence. Some system data can be input by individual employees on a self-service basis. The September 2018 pay run value was £13.2 million (including schools) in relation to 9,336 staff.

The purpose of the audit was to provide assurance that controls are in place over starters, leavers and permanent variations to pay. Also that:

- Pay runs and Bacs transmissions are correct and authorised;
- Payroll data is regularly reconciled to the general ledger;
- Temporary payments (including additional hours, expense claims and payments to casual staff) are correctly authorised prior to processing;
- Changes to standing data are reviewed, accurately input and authorised.

The audit found that the controls were operating as expected. Further areas for improvement were however, identified in relation to the recovery of salary overpayments, the delegation of authority for payment and retention of evidence in support of monthly spot checks on pay slips. Appropriate actions to address these areas have been agreed with management.

Budget Management – Substantial Assurance

Effective budget management ensures that the Council has appropriate financial information to support service delivery and that any cost overruns or income shortfalls are identified early and resolved as soon as possible. 2018-19 budgets were predicted to break even at the time of audit and of the savings package of £12.678m, £10.622m has been achieved. Any overspends mostly relate to social care areas and have been partially mitigated by other corrective action.

The purpose of the audit was to provide assurance that:

- A properly evidenced and accurate budget is set and approved in accordance within the required timeframes;
- Budget monitoring reports to senior managers and Members are accurate, consistent and timely and that effective budget monitoring process embedded throughout the organisation;
- Where adverse budget reporting is identified, concerns are escalated and remedial action is taken to enable budgets to be met;
- Savings are being delivered in accordance with the plan for that financial year.

The audit provided assurance that key controls were working effectively. Areas where actions were agreed for improvement related to the need for additional challenge and scrutiny of income budgets/targets and for increasing the proportion of orders that are raised prior to the receipt of supplier invoices, to help improve commitment accounting.

Business Rates – Reasonable Assurance

Although the government continues to set business rates nationally, since 1 April 2013 the Council retains 49% of those collected. The Council's share of business rates for 2018/19 was £61.5m.

This audit sought to obtain assurance that:

- The forecast business rates retention for 2018/19 has been accurately calculated;
- All premises subject to business rates are accurately recorded;
- The annual billing process is effectively carried out and documented;
- Amounts due for each chargeable property have been correctly calculated and promptly demanded;
- Arrears, write offs and refunds are properly controlled;
- The liability for business rates is accurately assessed including any reliefs;
- All payments are posted promptly to the correct accounts, reconciliations to the main accounting system are undertaken and suspense accounts are regularly cleared.

The audit found that the majority of key controls were in place and working correctly.

A number of areas for improvement were, however, identified. These include the need to ensure that property forecast data is updated earlier in the year and that an additional control should be put in place for the authorisation of high value refunds. Other opportunities to strengthen controls included introducing:

- An enhanced review process for empty properties;
- A more consistent application of quality control checking over data input;
- An improvement to some aspects of the arrears management and write-offs arrangements.

All actions arising from this work have been agreed with management as part of a formal action plan.

Community Equipment Service Follow-up – Reasonable Assurance

This is an integrated joint service commissioned by the council and Brighton & Hove Clinical Group (CCG). The service supplies and delivers daily living and community health equipment and minor adaptations to adults and children.

The current contract started in October 2015 and is due to end in September 2020. Although the contract sets out a maximum annual value of £1.7m, this was overspent by £1.3m in 2016/17. Consequently the budget was increased to £2.3m in 2017/18 but was overspent once again by £276k.

The purpose of the audit was to ensure:

- Effective management and monitoring arrangements are in place to ensure the service is delivered in accordance with the contract and service requirements;
- There are effective arrangements for the overall budgetary control of the contract;
- Governance (under the Section 75 agreement) is robust, including risk management and risk sharing.

The audit found that the majority of key controls are in place and the service is now being managed within budget. Some actions for further improvement have been agreed with management. These are to:

- Secure further improvements to budget management;
- Enhance contract management arrangements and scrutiny of any additional contract payment;
- Improve the communication of contract management information to all relevant staff.

Debtors – Partial Assurance

The Debtors System is a key financial system enabling debts to be billed accurately and promptly and is administered by the Central Collection Team. During the period April 2018 to December 2018, this team processed 84,756 invoices and credit notes, generating a net amount owed to the council of just under £52m.

The purpose of the audit was to ensure:

- All income generating activities are identified and accurately raised to customers;
- A customer account maintenance process is in place and operating effectively;
- Amendments to invoices are correct and authorised;
- Collection and debt recovery is managed efficiently and effectively;
- Write offs are processed accurately and correctly authorised;
- Payments are received and recorded against the correct debtor account in a timely manner;
- Reconciliations between the debtors system and the General Ledger are undertaken on a regular basis;
- Debt recovery performance is monitored and reported.

The audit found that there were weaknesses with some of the key controls in the system and a total of ten improvement actions (high and medium priority) have been agreed as a result.

These actions can be summarised as follows:

- Key management reports of uncollected debts should be reviewed more frequently;
- Additional debt collection performance reports should be developed to assist with debt recovery;
- Improvement to the collection process for commercial waste debts;

- Additional scrutiny of invoice set-up requests to ensure all key information included is accurate;
- Improved guidance notes and alignment with the new Corporate Debt policy;
- Additional review of disputed invoices;
- Improved processes for the recovery of salary overpayments and controls over the issuing of credit notes and refunds.

This is an area subject to regular review by internal audit and the above actions will therefore be followed up as part of a repeat audit during 2019/20.

General Data Protection Regulations (GDPR) – Partial Assurance

In April 2016, the European Union introduced the General Data Protection Regulations (GDPR). This regulation is intended to strengthen data protection rights for individuals within the EU and came into effect on 25th May 2018.

The purpose of the audit was to provide assurance the Council has sufficient controls and processes in place to comply with the GDPR and provide assurance over the GDPR governance framework in place.

The audit concluded partial assurance as a result of some weaknesses with the levels of compliance with the GDPR. A total of seven high and medium priority actions for improvement were agreed with management.

These included that a central data breach log should be implemented, to document any occurrences of breaches relating to personal data and that improvements are made to the processes for dealing with Subject Access Requests (SARs).

The review also identified a need to:

- Update some policies and procedures;
- Ensure privacy notices for all key services are communicated;
- Provide clarity in recording the legal basis for all data processing activities;
- Review those cases where “legitimate interest” is used as the lawful basis for data processing;
- Improve the functionality of the Council’s Information Asset Registers by purchasing a new software solution.

Digital First Follow-up – Minimal Assurance

The 'Customer First in a Digital Age' programme, approved in 2014, led to the Digital First programme being formed in 2016. The original business case included key outcomes such as reducing service costs and improving customer experience. The programme investment budget was £5.3m (originally £6m) over three years, ending in March 2019, and the original business case anticipated recurring savings of £5.65m per annum.

An Internal Audit report issued in May 2018, concluded Partial Assurance, with 10 medium priority agreed actions. As at January 2019, the majority of these were still outstanding and were overdue.

This audit was therefore a follow-up to focus mainly on the implementation of actions agreed during the audit of Digital First, and report produced in May 2018. The opinion in this review relates to the progress made implementing actions from the previous audit and it assumed that other areas tested in the previous audit, where there were no findings, remained the same.

The audit concluded minimal assurance, which means that controls were not effective in delivering the intended project outcomes. As many of the original actions are no longer deliverable, the agreed actions arising from this audit also included those which capture the lessons learnt from the shortfalls with this project.

The agreed actions for improvement for the remainder of *this* project were:

- A City Wide Digital Strategy and a council Digital Customer Strategy to be developed;
- Robust budget management to be put in place for the ongoing commitment of funds into 2019/20, including the identification of resources required to maintain those systems delivered;

In addition a number of actions were agreed to be applied to *future* modernisation projects. These were that the Corporate Modernisation Delivery Board (CMDDB) should ensure that all modernisation projects above a specified threshold:

- Include a commitment to capturing baseline data at the project outset and that and that any savings figures stated within the business cases are be subject to robust scrutiny;
- Use an appropriate project monitoring template throughout the project lifecycle and include agreed KPIs as part of their project monitoring;
- Include quality assurance processes as part of their project monitoring.

Debtors Miscellaneous Account - Opinion Not Applicable

This was a short unplanned audit concerning the use of a debtor miscellaneous account. At the time of audit the account currently held a credit balance of £160k.

The review found that there were no effective controls around the use of this miscellaneous debtor account or its purpose. Whilst there was no evidence of any irregularities, two actions were agreed for improvement were agreed with management. These were that the miscellaneous account to be reconciled and closed and that a new procedure is written for dormant accounts where there is a credit balance.

Transport Capital Grants – Opinion Not Applicable

This work involved the certification of three 2017/18 grant claims received from the Department for Transport. These were:

- Local Transport Capital Block Funding Grant;
- Bus Subsidy Grant;
- Pot Holes Grant.

No significant issues were identified in the grant certification.

EU Interreg Grant (PACE) Claim 4 - Grant Certification – Opinion Not Applicable

This is one of six EU Interreg projects that require grant certification at least once a year.

The full title of the project is Providing Access to Childcare and Employment. The total value of the project between 2017 to 2020 is approximately £625,000 (Grant expected £375,000).

No significant issues were identified in the grant certification.

EU Interreg Grant (SCAPE) Claim 4 - Grant Certification – Opinion Not Applicable

This is one of six EU Interreg projects that require grant certification at least once a year.

The full title of the project is Shaping Climate Change Adaptive Places. The total value of the project between 2017 to 2020 is approximately £488,000 (Grant expected £293,000).

No significant issues were identified in the grant certification.

Housing Repairs and Maintenance Insourcing – No Opinion

Internal audit is continuing to work closely with officers in Housing to support and provide advice on insourcing of the housing repairs service. This includes attending the Future Repairs Programme Board with a particular focus of providing input in relation to governance, risk and internal control matters.

This role will continue throughout 2019/20.

Downs View School – Partial Assurance

An audit of Downs View School was undertaken in accordance with our standard audit programme. This covers governance arrangements, financial planning, budget monitoring, purchasing, income and payroll. The audit also includes some limited testing on school funds and assets.

The review concluded partial assurance which means that there were weaknesses in the system of control. Actions for improvement were agreed in the following areas:

- Data registration with the ICO to be updated together with the Single Central Record (Safeguarding);

- Updating the schools scheme of delegation and some other policies;
- Ensuring declaration of interest are up to date;
- Completing financial returns on-time and keeping asset registers up to date;
- Improving controls over additional hours/ overtime payments;
- Improving insurance and tax checks on contractors;
- Ensuring orders are raised in advance and suppliers are paid on time;
- Improving controls over purchasing cards, petty cash;
- Ensuring the school fund account is audited.

