

Subject:	Internal Audit Progress Report 2014/15		
Date of Meeting:	13 January 2015		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Mark Dallen,	Tel: 29-1314
		Acting Head of Internal Audit	
	Email:	mark.dallen@brighton-hove.gcsx.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The purpose of this report is to update Members of the progress made against the Internal Audit Plan 2014/15. It includes outcomes of specific audit reviews completed and tracking of the implementation of recommendations.
- 1.2 The Audit & Standards Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports.
- 1.3 The report now includes an update on the work of the Corporate Fraud Team.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2014/15 and corporate fraud outcomes achieved.

3. BACKGROUND INFORMATION:

- 3.1 The Accounts and Audit (England) Regulations 2011 require the Council to 'maintain an adequate and effective system for internal control in accordance with proper practices.' Proper practice is defined by Public Sector Internal Audit Standards.
- 3.2 The Internal Audit Strategy and Plan provides the framework to deliver this service ensuring the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.3 The Audit Plan sets out an annual schedule of those systems including core financial systems, governance frameworks, IT audits and other key operational systems.
- 3.4 Amendments to the plan are approved by the Executive Director of Finance & Resources and are reported as part of this monitoring report.

4. PROGRESS AGAINST THE 2014/15 AUDIT PLAN:

- 4.1 A total of 30 reports have now been finalised for the year to date. Those finalised since the last report to the Audit & Standards Committee in November 2014 are detailed in the table below:

Final Audit Reports	Assurance Opinion*	Number of Recommendations and Priority
Children's Centres	Substantial	3 x Medium
Capital Investment Programme - ICT	Substantial	4 x Medium
ICON Cash Management	Reasonable	1 x High 1 x Medium
Payment Card Industry – Data Security Standard (PCI-DSS)	Reasonable	1 x High 1 x Medium
PIER (Management Data)	Reasonable	3 x Medium
Tenant Incentive Scheme	Reasonable	7 x Medium
Housing Allocations	Reasonable	4 x Medium
City Clean Expenditure (Stores)	Limited	2 x High 10 x Medium
Learning Disabilities Accommodation Service	Substantial	3 x Medium
Asylum Seekers (UASC Grant Claim)	Reasonable	2 x Medium
Client Billing (Adult Social Care Contributions)	Reasonable	9 x Medium

Note.* A definition of the Assurance Opinions is provided in Appendix 1.

- 4.2 In addition there are 18 reviews where draft reports have been issued and are in the process of being finalised.
- 4.3 The total of draft and final reports is 48 at this point of the year which represents 53% of the approved audit plan. Another 20 audit reviews are allocated and/or in progress.

5. LIMITED ASSURANCE REPORTS:

- 5.1 There has been just one Limited Assurance Report finalised since the Audit & Standards Committee Meeting in November 2014. This was the audit of City Clean Expenditure (Stores).
- 5.2 The review found that purchasing practices for stores do not currently comply with Financial Regulations. In addition, there are shortfalls with the process for the issue of items from stock to staff. Improvements are also required to the security arrangements at the store as well as a need to put in place contracts for the key procurements.

5.3 The service has responded positively to the report and has given a commitment to addressing the issues raised.

6. CHANGES TO THE APPROVED AUDIT PLAN:

6.1 There were no changes to the audit plan for this period.

7. COUNTER FRAUD WORK:

Housing Tenancy Fraud

7.1 Housing Tenancy fraud work is primarily focused on the identification and investigation of council properties where there is evidence that the tenant has illegally sublet the property. The primary purpose of the investigation is to return the property to the council so that the property can be re-let to a legitimate tenant on the council's housing waiting list. Where appropriate, the council will also seek to prosecute using its powers under the Prevention of Social Housing Fraud Act 2013.

7.2 For 2014/15 (year to date) investigations have resulted in a total of 8 properties being 'returned' to the council plus one to a housing association in the City. Outcomes are summarised in the table below.

Outcome	Achieved since last Committee Report	Year to Date
Housing Stock returned	3	8
Housing Association properties	-	1
Total	3	9

National Fraud Initiative Data (NFI) Matches

7.3 The data matches from the 2014 NFI are expected to be received by the council on the 29th January 2015. The data supplied will lead to the supply of data matching reports for the council which provide indicators of fraud. The type of fraud that may be detected include pensions, housing tenancy, false insurance claims, council tax fraud, blue badge fraud and duplicate payments of different types.

7.4 As per previous years there will also be a significant number of reports provided to assist in the detection of Housing Benefit Fraud. The investigation of these data matches is no longer the responsibility of the Corporate Fraud Team but will require effective co-ordination and communication between this team, the council's Housing Benefits Service and the DWP Single Fraud Investigation Service (SFIS).

Proactive Initiatives

- 7.4 As part of the Corporate Fraud Update report to the Audit & Standards Committee in September 2014 we reported that a Blue Badge bid for Counter Fraud Funding had been submitted to the DCLG. This was a joint bid between Brighton & Hove City Council, East Sussex County Council and Sussex Police for funding to tackle Blue Badge misuse, free up parking spaces for the genuinely disabled and to manage offenders in a proportionate and cost effective way.
- 7.5 The bid was successful and secured £183,000 of funding to be received in the next 18 months. In addition to detection and enforcement, the initiative aims to educate the public about the correct use of Blue Badges and the consequences of misuse, through Police participation in high profile operations and other publicity.
- 7.6 Progress on this project will be reported back to this committee.

8. IMPLEMENTATION OF RECOMMENDATIONS:

- 8.1 We have followed up on a total of 57 recommendations since the last report to this committee. For the year to date we have now followed-up on a total of 140 recommendations.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
140	126	90%

* Includes both fully implemented and part implemented

9. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 9.1 It is expected that the Internal Audit Plan for 2014/15 will be delivered within existing budgetary resources after allowing for deletions to the plan to accommodate unplanned work as identified in previous update reports. Progress against the Annual Internal Audit Plan and action taken in line with recommendations support the robustness and resilience of the councils practices and procedures and support the councils overall financial position. Where there are financial implications relating to limited assurance audits and the risks can be quantified, these will be taken into account within budget setting, Targeted Budget Management and the Statement of accounts as appropriate.

Finance Officer Consulted: James Hengeveld

Date: 05/01/15

Legal Implications:

- 9.2 Regulation 6 of The Accounts & Audit Regulations 2011 requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. It is a legitimate part of the Audit & Standards Committee's role to review the level of work completed and planned by internal audit.

The monitoring and reporting of internal audit recommendations, in addition to discharging the duties under the 2011 Act helps the Council in complying with its statutory duty of best value under the Local Government Act 1999.

Lawyer Consulted: Oliver Dixon

Date: 18/12/14

Equalities Implications:

- 9.3 There are no direct equalities implications arising directly from this report

Sustainability Implications:

- 9.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 9.5 There no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 9.6 The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

Corporate / Citywide Implications:

- 9.7 Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Report Assurance Levels: Definitions

Background Documents:

1. Internal Audit Plan 2014/15
2. Public Sector Internal Audit Standards
3. Accounts and Audit Regulations 2011

APPENDIX 1.

Internal Audit Report Assurance Opinions: Definitions

FULL	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
SUBSTANTIAL	No significant improvements are required. Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
REASONABLE	The audit has identified some scope for improvement of existing arrangements. Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Council.
LIMITED	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance will lead to an increased risk of loss or damage to the Council. Not all major risks are identified and/or being managed effectively.
NO	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the Council. A high number of key risks remain unidentified and/or unmanaged.

