

## Internal Audit Progress Report

### Report of the Acting Head of Internal Audit

#### 1.0 Summary

- 1.1 This report notes the performance of the Internal Audit Section for the period 1<sup>st</sup> to 30<sup>th</sup> April 2015 against the agreed 2014/15 and 2015/16 Annual Internal Audit Plans.
- 1.2 This report provides a summary of the key issues raised in final audit reports issued since our last report to this Committee and provides the current status on the follow-up on the agreed audit recommendations made in final audit reports.
- 1.3 This report provides the Head of Internal Audit's opinion reports on the system of internal control at Adur District Council and Worthing Borough Council during 2014/15 and provides a detailed summary of the audit work completed against the 2014/15 audit plan and the key issues identified from this work.

#### 2.0 Background

- 2.1 Each quarter a report is produced for this Committee which details the Internal Audit Section's performance against the current year of the agreed 3 year Strategic Internal Audit Plan, and summarises the results of audit work carried out.

##### Internal Audit Performance - 2014/15

- 2.2 The 2014/15 Annual Internal Audit Plan agreed by the Joint Governance & Audit Committee on 20 March 2014 contained 773 days and 66 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.3 Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	13	134.25	18.7%
Quarter 2 (July – September)	15	187.75	26.2%
Quarter 3 (October – December)	10	156.25	21.8%
Quarter 4 (January – March)	18	238.75	33.3%
	<b>56</b>	<b>717</b>	<b>100</b>

- 2.4 At 30 April, 661.84 days (92.3%) of the planned days had been delivered against revised 717 days. The days still to be completed relate to audits currently in progress or under review.

Internal Audit Performance - 2015/16

- 2.5 The 2015/16 Annual Internal Audit Plan agreed by the Joint Governance Committee on 24 March 2015 contained 770 days and 64 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.6 Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

<b>Period</b>	<b>No of audits planned</b>	<b>No of days planned</b>	<b>% of days planned</b>
Quarter 1 (April – June)	13	157.25	20.2%
Quarter 2 (July – September)	18	200.75	25.8%
Quarter 3 (October – December)	18	214.25	27.5%
Quarter 4 (January – March)	16	205.75	26.5%
	<b>65</b>	<b>778</b>	<b>100</b>

- 2.7 At 30th April, 29 days (3.7%) of the planned days had been delivered against the planned 778 days. As work has only recently started on this plan we will report detailed information on progress in our next report to this Committee.
- 2.8 Recommendations made in audit reports are categorised according to their level of priority as follows:

<b>Priority 1</b>	Major issues for the attention of senior management.
<b>Priority 2</b>	Other recommendations for local management action.
<b>Priority 3</b>	Minor matters.

Final Audit Reports

- 2.9 Internal Audit's assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system's control adequacy. The assurance levels and their associated explanations are:-

<b>Full Assurance</b>	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.
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2.10 The report attached as **Appendix 1** provides a summary of key issues raised in all final reports issued since our last report to this Committee, including those with a Limited Assurance opinion. Since the previous Committee, 16 reports have been finalised, of these ten were Satisfactory assurance and six were Limited assurance. A total of eleven P1 recommendations were raised within these reports.

#### Follow up of Audit Recommendations

2.11 In accordance with the Council's Follow-Up Protocol, Internal Audit has continued following-up the status of implementation of recommendations contained in final audit reports.

2.12 Follow-up audits are undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The performance in relation to these targets as at 30 April is shown in the tables below.

#### **Analysis of status of recommendations 2012/13**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	34	29	85.3%	3	8.8%	2	5.69%	0	0%	14.7%	2	37
<b>P2</b>	177	129	72.9%	31	17.5%	17	9.6%	0	0%	27.1%	6	185
<b>P3</b>	18	14	77.8%	3	16.7%	1	5.6%	0	0%	22.2%	0	18
<b>Other</b>	20	3	15%	0	0%	17	85%	0	0%	85%	0	28
<b>Total</b>	<b>249</b>	<b>175</b>	<b>70.2%</b>	<b>37</b>	<b>14.9%</b>	<b>37</b>	<b>14.9%</b>	<b>0</b>	<b>0%</b>	<b>29.8%</b>	<b>8</b>	<b>257</b>

#### **Analysis of status of recommendations 2013/14**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	11	10	90.9%	0	0%	1	0%	0	0%	9.1%	4	15
<b>P2</b>	94	56	59.6%	22	16.8%	16	16.8%	0	0%	40.4%	7	101
<b>P3</b>	22	16	72.7%	5	15%	1	5%	0	0%	27.3%	0	22
<b>Other</b>	0	0	0%	0	0%	0	83.3%	0	0%	0%	6	6
<b>Total</b>	<b>127</b>	<b>82</b>	<b>64.6%</b>	<b>27</b>	<b>21.2%</b>	<b>18</b>	<b>14.2%</b>	<b>0</b>	<b>0%</b>	<b>35.4%</b>	<b>17</b>	<b>144</b>

**Analysis of status of recommendations 2014/15**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	7	4	57.1%	0	0%	2	28.6%	1	14.3%	42.9%	16	23
<b>P2</b>	21	13	61.9%	0	0%	4	19%	4	19%	38.1%	80	101
<b>P3</b>	4	2	50%	0	0%	0	0%	2	50%	50%	24	28
<b>Other</b>	1	1	100%	0	0%	0	0%	0	0%	0%	1	2
<b>Total</b>	<b>33</b>	<b>20</b>	<b>60.6%</b>	<b>0</b>	<b>0%</b>	<b>6</b>	<b>18.2%</b>	<b>7</b>	<b>21.2%</b>	<b>39.4%</b>	<b>121</b>	<b>154</b>

2.13 Attached as **Appendices 2, 3 & 4** are tables which summarise the current follow-up status of recommendations made in final audit reports for 2012/13, 2013/14 and 2014/15. The shaded boxes indicate where changes have occurred since our last report. As reported in our last progress report to this Committee, we continue to monitor the recommendations outstanding for 2011/12 audit reports for which the percentage of outstanding recommendations is now 2.5%.

Head of Internal Audit's Opinion – 2014/15

2.14 Each year a Head of Internal Audit (HoIA) Report is generated to meet the Head of Internal Audit's annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The HIA Report is an opinion statement provided for the use of the Council in support of its Annual Governance Statement.

2.15 Attached as **Appendices 5 and 6** are the Head of Internal Audit's Annual Reports for Adur District Council and Worthing Borough Council for the year 2014/15.

2.16 Attached as **Appendix 7** is the detailed summary of the 2014/15 audits summarised in the HoIA reports.

**3.0 Proposals**

3.1 That the Committee note the performance of the Internal Audit Section for 1<sup>st</sup> to 30<sup>th</sup> April 2015 against the 2014/15 and 2015/16 Audit Plan.

3.2 That the Committee note the summary of the key issues raised in final audit reports issued since our last report to this committee and the current status on the follow-up on Internal Audit recommendations made as a result of audits completed during 2012/13, 2013/14 and 2014/15.

3.3 That the Committee note the Head of Audit's opinion on the system of internal control at both Adur District Council and Worthing Borough Council during 2014/15 and the updated summary of the 2014/15 audits.

**4.0 Legal**

4.1 There are no legal matters arising as a result of this report.

## **5.0 Financial Implications**

5.1 There are no financial implications arising from this report.

## **6.0 Recommendations**

- 6.1 That the Committee note the performance of the Internal Audit Section for 1<sup>st</sup> to 30<sup>th</sup> April 2015 against the 2015/16 audit plan.
- 6.2 That the Committee note the summary of the key issues raised in final audit reports issued since our last report to this Committee and the current status on the follow-up on Internal Audit recommendations made as a result of audits completed during 2012/13, 2013/14 and 2014/15.
- 6.3 That the Committee note the Head of Audit's opinion on the system of internal control at both Adur District Council and Worthing Borough Council during 2014/15 and the updated summary of the 2014/15 audits.

## **Local Government Act 1972**

**Background Papers:** None

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## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 The report does not seek to meet any particular Council priorities.

### **2.0 Specific Action Plans**

2.1 (A) Matter considered and no issues identified.  
(B) Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (SECTION 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Matter considered and no issues identified.

### **8.0 Consultations**

8.1 (A) Matter considered and no issues identified.  
8.2 (B) Matter considered and no issues identified.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

### **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

### **12.0 Partnership Working**

12.1 Matter considered and no issues identified.

## Key issues from finalised audits

## Appendix 1

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
Local Strategic Partnership	H	Satisfactory (Four Priority 2 recommendations)	No Priority 1 recommendations were raised.
Building Maintenance (13/14)	H	Limited (Two Priority 1, Seven Priority 2 and One Priority 3 recommendations)	The Priority 1 recommendations related to the lack of signed contract for electrical contract & lack of SLA for building maintenance services now in house with ADC Building Maintenance
Network Infrastructure (13/14)	H	Limited (Four Priority 1 and 6 Priority 2 recommendations)	The Priority 1 recommendations related to the installation of anti virus software; Account lockout policy setting, that the IOS version installed on core switches had reached end of vulnerability/security support on 1/4/13, lack of change and release management procedures and a lack of appropriate professional network training.
Corporate Governance	H	Satisfactory (Six Priority 2 recommendations)	No Priority 1 recommendations were raised.
Cashiering	H	Satisfactory (Two Priority 2 and Two Priority 3 recommendations)	No Priority 1 recommendations were raised.
Creditors	H	Satisfactory (One Priority 1 and One Priority 2 recommendations)	The Priority 1 recommendation related to the need to verify changes requested to supplier bank details.
External Funding	M	Limited (Two Priority 1, Six Priority 2 and Two Priority 3 recommendations)	The Priority 1 recommendations related to the BID approval process not being followed for 2 of 5 bids tested and the lack of compliance with the centralised process.
<b>Capital Expenditure &amp; Fixed Assets</b>	M	Limited (Eight Priority 2 and One Priority 3 recommendations)	No Priority 1 recommendations were raised.
Treasury Management	H	Satisfactory (One Priority 2 and One Priority 3 recommendations)	No Priority 1 recommendations were raised.
Facilities Management & Security	M	Satisfactory (Ten Priority 2 and Five Priority 3 recommendations)	No Priority 1 recommendations were raised.
Pool Car Pilot	L	Satisfactory (Four Priority 2 and One Priority 3 recommendations)	No Priority 1 recommendations were raised.
Housing Rents	M	Satisfactory (One Priority 1 and Two Priority 2 recommendations)	The Priority 1 recommendation related to reconciliations not being completed/ not completed in a timely manner.

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
Void Management	M	Limited (Ten Priority 2 recommendations)	No Priority 1 recommendations were raised.
Beach Huts	M	Limited (One Priority 1, Nine Priority 2 and Two Priority 3 recommendations)	The Priority 1 recommendation related to the lack of confirmation of sale fees and owner ID for private sale transactions.
WBC Revenues	H	Satisfactory (Three Priority 2 and Two Priority 3 recommendations)	No Priority 1 recommendations were raised.
WBC Benefits	H	Satisfactory (One Priority 2 recommendation)	No Priority 1 recommendations were raised.



Follow Up of Recommendations 2012/13 Audit Plan

Appendix 2

Audit Title	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	Percentage of recs carried over	Number of agreed recs outstanding	Percentage of recs outstanding	Key auditees	Comments	Date Further Follow-up due
<b>Chief Executive</b>														
Delivery of Corporate Vision & Priorities	*	Mar-13	Satisfactory	3	2	2	100%							
Risk Management	*	May-13	Satisfactory	1	9	5	56%	4	44%					
Communications	*	Oct-13	Satisfactory		7	4	57%			3	43%	N Hopkins	Detailed reponse to FU received from Head of Communications on 3/3/15 . Update received on 13/5 - 3 still O/S are in progress	
<b>Strategic Director (JM)</b>														
Equalities	*	Jul-12	Satisfactory		7	7	100%							
IT Project Management & Governance (CenSus contract)	*	Jun-13	Satisfactory		1					1	100%	C Stephenson	Recommendation relates to the development of an ICT Strategy - we were advised in June 14 that this was in progress but have yet to be provided with strategy	May-15
<b>Exec Head of Adur Homes</b>														
ADC - Leasehold Management		Nov-12	Satisfactory		1	1	100%						COMPLETE	
ADC - Housing Rents		Jan-13	Satisfactory		1	1	100%						COMPLETE	
ADC - Right to Buy		Mar-13	Full		0								NO FOLLOW UP REQ'D	
ADC - Sheltered Accommodation		Oct-13	Satisfactory	1	1	1	100%						OS rec related to Care & Support Strategy - update provided in Jan 15 confirms strategy being developed by WSCC & councils have no bearing on.	
ADC - Community Alarm		Nov-13	Satisfactory		2	2	100%						COMPLETE	
<b>Exec Head of Corporate &amp; Cultural Services</b>														
Corporate Governance	*	Dec-12	Satisfactory		6	0		6	100%				FU performed as part of 13/14 audit confirmed none of recs were implemented and all have been reiterated in 13/14 report	
Freedom of Information	*	Feb-13	Limited		12	12	100%						COMPLETE	
Bribery Act	*	Feb-13	Satisfactory		2	2	100%						COMPLETE	
Worthing Leisure Centre - Catering Income & Stock Control		Mar-13	Limited	6	19	19	100%						Testing found that 6 still O/S. No further FU to be completed as L Centre transfers to Trust on 1 May - Memo to be sent to new Finance Manager to make her aware of outstanding issues.	
WBC - Museum		May-13	Satisfactory		10	9	90%	1	10%				90% complete & last rec (due Dec 13) was in progress. No further FU required.	
WBC Theatres (Catering Income & Stock control)		Apr-14	Limited		12	9	75%			3	25%	D Wilkins	FU self assessment suggested that 10/12 had been completed - visit completed and confirmed 9 complete - 3 still in progress - Further FU	Jun-15
WBC Commidea Application		Apr-13	Limited	3	3	3	100%						NO FURTHER FU REQUIRED AS LEISURE NO LONGER PART OF COUNCIL	
Election Expenses	*	Sep-13	Satisfactory		5	5	100%						COMPLETE	
Members Allowances & Equipment	*	Jan-14	Satisfactory	1	7	6	86%	1	14%				86% complete - no further FU req'd	
<b>Exec Head of Customer Services</b>														
AWCS	*	Jul-12	Satisfactory		2					2	100%	T Patching	Update provided on 11 May 15 confirms SLA has now been drafted and sent to NHS so should be in place by end of May. Other rec still needs addressing.	Jun-15
Worthing Crematorium		Aug-12	Limited		7	6	86%	1	14%				86% complete - no further FU req'd	
WBC - Benefits		Mar-13	Satisfactory		1	1	100%						COMPLETE	
WBC Revenues (Council Tax & NDR)		Jun-13	Satisfactory		4	3		1	25%				O/S rec reiterated in 13/14 audit report	
<b>Exec Head of Housing, Health &amp; Community Safety</b>														

Licensing	*	Jul-13	Satisfactory		2	2	100%							COMPLETE	
Partnership Arrangements - Family Intervention Project	*	Feb-13	Satisfactory		6	6	100%							COMPLETE	
<b>Strategic Director (AG)</b>															
ADC - Annual Governance Statement		N/A	N/A		N/A	N/A	N/A			N/A					
WBC - Annual Governance Statement		N/A	N/A		N/A	N/A	N/A			N/A					
<b>Exec Head of Financial Services</b>															
Medium Term Financial Planning	*	Sep-12	Satisfactory		1	1	100%							COMPLETE	
Contract Variations	*	Dec-12	Limited		6	5	83%	1	17%					COMPLETE	
Axis Income Management Application	*	Dec-12	Satisfactory	1	8	7	88%	1	12%					Further FU confirmed one rec addressed/ we have considered that the one relating to disaster recovery plans is being addressed as part of current work & DR is subject to a current audit. The last one will be addressed when the next upgrade to the system is implemented but will not be followed up further as 80% completion achieved.	
Probity - Ebay Sales	*	Feb-13	N/A	8										EHFS advised on 26/11/13 that ebay sales suspended until policy & procedures. Ebay has not been used since issue of report in Feb 13 - no further follow up planned as system not used for over 2 years.	
BACSESS IP	*	Feb-13	Limited	12	0									Bacsess system was replaced following our audit and new system Paygate was purchased. Recs from Bacsess report no longer valid for follow up but have been considered during implementation of the new system and Audit has been kept up to date with these development.	
ADC CenSus C Tax		Apr-13	Satisfactory		8	3	38%	3	38%	2	25%	C McNeill	2 recs still outstanding - one will not be completed until June 15 - update requested re other in Jan 15	Jul-15	
Probity - Corporate Credit Cards	*	May-13	N/A		2	2	100%							COMPLETE	
Creditors	*	May-13	Satisfactory		6	4	67%	2	33%					Recs were followed up during 13/14 annual audit	
Debtors	*	May-13	Limited	1	11	9	82%	2	18%					Recs were followed up during 13/14 annual audit	
General Ledger	*	May-13	Satisfactory	1	7	3	43%	4	57%					Recs were followed up during 13/14 annual audit	
Cashiering	*	May-13	Satisfactory		5	4	80%	1	20%					Recs were followed up during 13/14 annual audit	
Treasury Management	*	Aug-13	Satisfactory		7	4	57%	3	43%					Recs were followed up during 13/14 annual audit	
IT Asset Management	*	Oct-13	Satisfactory		7	4	57%			3	43%	M Gawley	In response to instructions issued at last committee - written response now received and officers will attend next JGC. Response confirmed 3 recs still outstanding so further FU required	Sep-15	
Anti Fraud Approach	*	Nov-13	N/A	1	18	1	6%			17	94%	T Cutler	Further FU into OS recs confirmed NFA. S Gobey to take up with Corp Fraud Unit & new audit due in 15/16.	Jun-15	
Payroll	*	N/A	N/A											Report not finalised before 13/14 audit so issues in draft report being considered as part of 13/14 audit.	
Capital Expenditure & Fixed Assets	*	Jan-14	Satisfactory		6			6	100%					Recs were followed up during 13/14 annual audit	
<b>Exec Head of Planning, Regeneration &amp; Wellbeing</b>															
Local Development Framework	*	Feb-13	Full		0									NO FOLLOW UP REQ'D	
Economic Development	*	Apr-13	Limited	1	6	3	50%			3	50%	Was C Mangan	FU response received - changes in management have effected - outstanding recs to be included in new Head of Service - sent to Director on 7/5 - Further FU required	Jul-15	
Planning	*	May-13	Satisfactory	1	2	2	100%							COMPLETE	
ADC Pot of Gold		Jul-13	Satisfactory	2	5	2	40%			3	60%	Was S Stride (now Joanne Clarke)	2 outstanding recs had not been addressed - issues have been raised with Manager and assigned to new officer - SS to meet and discuss	Jun-15	
<b>Exec Head of Technical Services</b>															
Coastal Protection	*	Mar-13	Satisfactory		5	5	100%							COMPLETE	
Procurement Strategy, Governance & Communications	*	Nov-13	Limited		10	2	20%			8	80%	S Spinner	Self assessment follow up received in Nov 14 confirmed 2 completed and rest in progress.	Jun-15	
Allotments	*	Jan-14	Limited	2	8	8	100%								

WBC - Crematorium contract

				257	175	68%	37	14%	45	18%				

Audit	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	Percentage of recs carried over	Number of recs outstanding	Percentage of recs outstanding	Key auditees	Comments	Date Further Follow-up due
<b>Chief Executive</b>														
Risk Management	*	Jul-14	Satisfactory		9	2	22%	7	78%			M Lowe	7 recs still in progress to be reiterated in 14/15 report	
Local Strategic Partnership	*													
Safer Communities Partnership	*	Jun-14	Satisfactory		3	1	33%			2	67%	R Francis	Update received May 15 - 2 still in progress	Jul-15
<b>Strategic Director - Andrew Gardiner</b>														
Annual Governance Statement (control issues)	*	N/A	N/A	N/A	N/A					N/A	N/A		N/A	N/A
<b>Financial Services &amp; Audit</b>														
General Ledger	*	May-14	Satisfactory	1	7	5	71%	2	29%				Recs were followed up as part of 14/15 audit - 2 were reiterated in 14/15 report	
Cashiering	*	Jun-14	Satisfactory	1	4	3	75%	1	25%				Self assessment received 7/11/14 - remaining recs were as part of 14/15 annual audit - one complete & one reiterated in 14/15 report	
Creditors	*	May-14	Satisfactory	1	2	2	100%						Recommendations followed up as part of 14/15 annual audit.	
Debtors	*	May-14	Satisfactory		3	2	67%	1	33%				Recommendation relates to review of procedures	
Payroll	*													
Capital Expenditure & Fixed Assets	*	Dec-14	Satisfactory	1	7			7	100%				Recommendations were followed up a part of annual audit. All were reiterated in 14/15 report	
Treasury Management	*	Jun-14	Satisfactory		2	2	100%						COMPLETE	
Fees & Charges	*													
Staff expenses (inc car mileage)	*	May-14	Satisfactory		2	2	100%						COMPLETED before FU due	
Probity - Staff discounts & Concessions	*	Mar-14	N/A		5					5	100%	S Gobey	Response received and work in progress to implement recs - Further FU req'd	Jun-15
Probity - Underbankings		N/A	N/A		N/A					N/A			N/A	
Probity - Crematorium Ashes Procedure	*	Apr-14	Satisfactory		6	5	83%			1	17%	I Rudkin	Response rec'd 12/5 - OS rec still to be addressed	Jun-15
Probity audit - Stores	*	Oct-12	N/A		1					1	100%		Self Assessment issued - awaiting response	
<b>Technical Services</b>														
Cemeteries & Churchyards	*	May-14	Satisfactory		1	1	100%						COMPLETE	
Foreshore Service		Apr-14	Satisfactory		6	5	83%	1	17%				Over 80% complete so no further FU required. O/s rec was partly implemented.	
Bailiffs	*	Nov-14	Limited	4	3					3	100%	D O'Brien	Self Assessment issued - awaiting response	
Grounds Maintenance	*	May-14	Limited		5	3	60%			2	40%	A Edwards	P1 rec discussed at Communities DMT in April - still in progress and cannot be completed till post Oct 15 - request for update on other OS rec sent in May. Further FU required.	Nov-15
Parks Income Management	*	Oct-13	Satisfactory		5	5	100%			0			COMPLETE	
Building Maintenance	*	May-15	Limited											
<b>Planning, Regeneration &amp; Wellbeing</b>														

Community Wellbeing	*	Mar-14	Limited	1	3	3	100%						COMPLETE	
<b>Adur Homes</b>														
Housing Rents		May-14	Satisfactory		2	1	50%	1	50%					
Private Sector Leasing/ Temporary Accommodation														
Property Buy Back		Mar-14	Satisfactory		2	1	50%			1	50%	M Reeve	self assessment confirmed one rec actioned & other still outstanding - Further FU required	
<b>Customer Services</b>														
Benefits		Jun-14	Satisfactory		3	2	67%	1	33%				Rec relates to DR plans	
Revenues (Council Tax & NDR)		May-14	Satisfactory		3	2	67%	1	33%				O/s rec relates to updating procedures	
WBC - Business Improvement District		Dec-13	Satisfactory		2	2	100%						COMPLETE	
AWCS - Vehicle Maintenance	*	May-14	Satisfactory		2					2	100%	A Northeast	Recent update confirms both are I progress (one relates to documenting procedures and the promotion of private MOT work)	
CenSus NDR		Jun-14	Satisfactory		9	6	67%			3	33%	C McNeal	further FU required re os recs which were due for completion 31/5	Jun-15
<b>Corporate &amp; Cultural Services</b>														
Corporate Governance	*	Mar-14	Limited		10	5	50%	5	50%					
Leisure Trust - Contract Management														
Democratic & Civic Services														
Human Resources														
DBS checks & requirements	*	Oct-13	Satisfactory	2	2	1	50%			1	50%	S Wright	Update rec'd 7/5 - one rec NLA (leisure employee) OS rec partly implemented	Jun-15
Local Land Charges	*	Apr-14	Satisfactory		1	1	100%						COMPLETE	
Legal Services	*	Dec-13	Limited	1	7	7	100%						COMPLETE	
<b>Health, Housing &amp; Community Safety</b>														
Anti Social Behaviour Management	*	Jun-14	Satisfactory	2	4	4	100%						COMPLETE	
<b>Computer Audits</b>														
Joint website - content & workflow	*	Nov-13	Satisfactory	1	2	2	100%						Part of OS rec cannot be implemented due to functionality of T4 system - no further FU req'd.	
Network (LAN & WAN)	*	Apr-15	Limited	1	10	5	50%			5	50%	M Gawley	FU DUE JUL 2015	
Data Centre	*	Nov-13	Satisfactory		4	2	50%			2	50%	M Gawley	Following lack of response to previous requests for update - response rec'd 30/3	Jul-15
House on the Hill	*	Mar-14	Satisfactory	2	7					7	100%	M Gawley	Information provided n 30/3 suggests 7 still O/s - Further FU required	Jun-15
<b>Contract Audit</b>														
Procurement Compliance														
Shoreham Centre														
					144	82	57%	27	19%	35	24%			

Audit	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into	Percentage of recs	Number of recs outstanding	Percentage of recs outstanding	Key auditees	Comments	Date Further Follow-
Annual Governance Statements	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Corporate Governance	*	May-15	Satisfactory		6	2	33%			4	67%	S Gobey/S Sale	FU due Aug 15	
Risk Management	*													
Change Management	*													
<b>Director of Digital &amp; Resources</b>														
<b>Finance</b>														
Budgetary Control	*	Dec-14	Satisfactory		1					1	100%	J Chang Rogers	Self Assessment issued - response awaited	
General Ledger	*	Mar-15	Satisfactory		3					3	100%	J Chang Rogers	FU due Jul 15	
Cashiering	*	May-15	Satisfactory		4					4	100%	A Simmons	FU due Sept 15	
Creditors	*	Apr-15	Satisfactory		2					2	100%	Y Stillwell	FU due Aug 15	
Debtors	*	Feb-15	Satisfactory		2					2	100%	L Haynes	FU due June 15	
Insurance	*	Oct-14	Satisfactory		2	2	100%						COMPLETE	
Payroll	*													
External Funding	*	Apr-15	Limited		9					9	100%	New Head of Place & Investment	FU due July 15	
Capital Expenditure & Fixed Assets	*	May-15	Limited		9					9	100%	G Haige/J Appleton	FU due Aug 15	
Treasury Management	*	May-15	Satisfactory		2					2	100%	D McAuley	FU due Sept 15	
Petty Cash	*	Jan-15	Satisfactory		2	1	50%			1	50%	A Simmons	Response to self assessment confirmed 1 rec still outstanding	Jul-15
Staff Loans	*	Jan-15	Satisfactory		3	1	33%			2	67%	N Hughes & G Townsend	Self Assessment issued - response awaited	
Probity audits - inventories	*													
Probity - cash floats	*	Oct-14	N/A		2	1	50%			1	50%	S Gobey	Self Assessment issued - 1 rec noted as complete - awaiting response re other rec	
Probity - AP Security invoices	*													
Business Rates - Forecasting & Income Projection	*	Feb-15	Satisfactory		1					1	100%	S Gobey	FU due Jun 15	
Pension Scheme- local administration	*	Oct-14	Full		0								No Follow up required	
<b>Business &amp; Technical Services</b>														
Emergency Planning/Business Continuity	*													
Desktop Printing & Reprographics	*													
Facilities Management & Security	*	May-15	Satisfactory		15					15	100%	S Spinner	FU due Sept 15	
Health & Safety	*													
Pool Car Pilot	*	May-15	Satisfactory		5	1	20%			4	80%	S Spinner	FU due Sept 15	
Term Maintenance Contract Management - Keith Long Electrical	*													
Construction Contract - MTC Adapataions	*													
<b>Digital &amp; Design</b>														
Technology & Business Solutions	*													
<b>Human Resources</b>														
Agency Staff Arrangements	*	Dec-14	Satisfactory		4					4	100%	K James	Self assessment was issued but responsible officer left - will be reissued to Head of People when in post	Jun-15
Sickness Recording & Monitoring	*													
<b>Director of Economy</b>														
<b>Growth</b>														
Estates	*													
Car Parks	*	Oct-14	Satisfactory		3	1	33%			2	67%	D O'Brien	updated status received 13/5 confirmed 2 recs still in progress. Further FU required	Jun-15
Land Drainage	*													
MSCP Plate Recognition Barrier System - Procurement	WBC													
<b>Director of Communities</b>														
<b>Housing</b>														
Housing Rents	ADC	May-15	Satisfactory		3					3	100%	P Turner/A Clarkson	FU due Sept 15	
Housing Maintenance	ADC	Oct-14	Satisfactory		4	2	50%			2	50%	P Turner/C Strong	Self Assessment issued - response rec'd confirmed 2 complete	Jun-15

Void Management	ADC	Apr-15	Limited	1	9	4	44%			5	56%	P Cooper	FU due Jul 15	
Housing - Homelessness, Advice & Allocations	*	Jan-15	Limited		29					29	100%	P Cooper	Self Assessment issued - response rec'd confirmed an action plan is in plan to ensure implementation of the recommendations & monthly monitoring meetings held - IA to attend next meeting on 20/5 to establish progress.	
Home Improvement Assistance	ADC													
Decent Homes - Contract Management	ADC													
<b>Wellbeing</b>														
Hackney Carriage & Private Hire	*													
Third Party Commissioning	*													
<b>Environment</b>														
Beach Huts	*	May-15	Limited		12	3	25%			9	75%	A Edwards	FU due Aug 15	
<b>Director of Customer Services</b>														
<b>Revenues &amp; Benefits</b>														
WBC Benefits	WBC	Apr-15	Satisfactory		1					1	100%	P Tonkin	FU due Aug 15	
WBC Revenues (Council Tax & NDR)	WBC	May-15	Satisfactory		5					5	100%	P Tonkin	FU due Sept 15	
CenSus - Benefits	ADC													
<b>Customer Services</b>														
Complaints	*	Dec-14	Limited	2	7	2	29%			5	71%	M Lowe	Self Assessment follow up has been performed - Further follow up required	Jun-15
Register of Electors	*													
<b>Computer Audits</b>														
Disaster Recovery	*													
HMS Application	*													
Data Protection & Information Governance	*	Mar-15	Limited		9					9	100%	B McGrath	FU due Jun 15	
Service Desk (ITIL)	*													
					154	20	13%	0	0%	134	87%			



## Adur District Council

# Internal Audit Annual Report 2014/15

May 2015

This report has been prepared on the basis of the limitations set out on page 12.

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# Introduction

## Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Adur District Council (the Council) during the 2014/15 financial year, the service for which is provided by Mazars Public Sector Internal Audit Limited<sup>1</sup>.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011). The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Adur District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Adur District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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<sup>1</sup> As from 1 February 2014, Mazars LLP purchased the shares of Deloitte & Touche Public Sector Internal Audit Limited from Deloitte LLP. The company will be known as Mazars Public Sector Internal Audit Limited.

## Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2014/15 included a total of 55 internal audit projects. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some internal audit projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the total number of projects actually undertaken in 2014/15 was 51 compared to 41 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2014/15.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

## Compliance with the PSIAS

During our internal audit work we practice the principles of the PSIAS. Self assessment to ascertain compliance with the PSIAS, and peer review to confirm such compliance are yet to be performed.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2014/15.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2014/15, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2015/16.

## Overall Summary

As illustrated in the tables below, we have noted little change in Adur District Council's control environment during the audit year. During the 2014/15 year, some 26 (68.4%) of internal audit projects were rated 'Satisfactory assurance' compared with 29 (76.3%) in the prior year. One 'Full assurance' opinion was issued in 2014/15c compared to None in 2013/14.

We are pleased to report that we have not issued any 'nil assurance' opinions in 2014/15. We issued 11 reports (28.9%) with 'limited assurance' opinions compared with 9 (23.7%) in the previous year.

Assurance Gradings	Number of Projects									
	2014/15		2013/14		2012/13		2011/12		2010/11	
Full	1	2.6%	0	0%	2	5.3%	1	3.1%	0	0%
Satisfactory	26	68.4%	29*	76.3%	29	76.3%	23	71.9%	25	73.5%
Limited	11	28.9%	9*	23.7%	7	18.4%	8	25%	9	26.5%
Nil	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Sub-Total</b>	<b>38</b>		<b>38</b>		<b>38</b>		<b>32</b>		<b>34</b>	
Merged Audits / No Opinion Audits	4		3		4		8		3	
<b>Total Audits Delivered</b>	<b>42</b>		<b>41</b>		<b>42</b>		<b>40</b>		<b>37</b>	
Audits still in progress / Deferred	9									
<b>Total</b>	<b>51</b>		<b>41</b>		<b>42</b>		<b>40</b>		<b>37</b>	

\* Revised from 2013/14 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2013/14 report was produced

A summary of key findings for all 2014/15 Internal Audit projects rated as nil/limited is included at Appendix 1.

## Opinion 2014/15

From the Internal Audit work undertaken in compliance with the PSIAS in 2014/15, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Adur District Council for the year ended 31 March 2015 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



## Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen a significant improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

### Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement for 2014/15.

As in 2013/14, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's annual audit letter 2013/14, where no significant deficiencies in the internal control arrangements were identified, and
- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

## Risk Management

Based on an internal audit of the Council's risk management framework, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors in their annual audit letter 2013/14, in which KPMG issued an unqualified conclusion of respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

We note the significant management and departmental changes that have occurred within the Council during 2014/15 and expect that these changes will result in change and enhancement of the risk management processes.

## Information Technology Governance

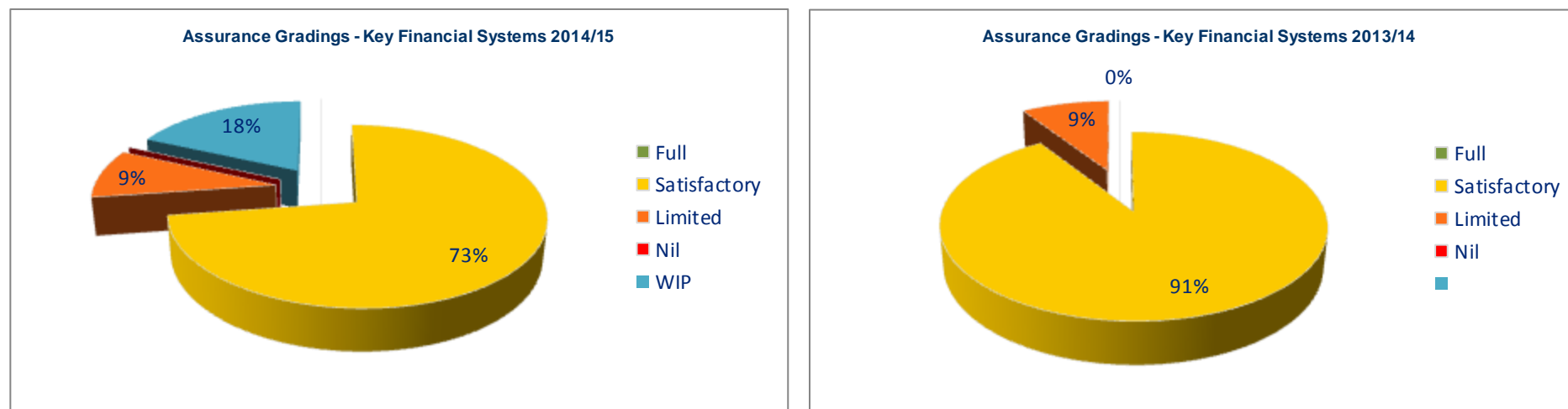
In our opinion the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on:

- our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2014/15, and
- the continued lack of IT Disaster Recovery arrangements which was raised in our Annual Internal Audit Report 2012/13 and since.

## Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems, working in accordance with the managed audit process agreed with the external auditors.

This process allows the external auditors to place reliance on the work performed by Internal Audit to provide the Council with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment. It also allows the Council to limit external audit fees spent on reviewing the Council's activities. The tables below summarise the audit gradings in this key area:



Overall we have seen a continued performance in the control environment around key financial systems. The number of limited assurance opinions remained at 1 and the number of satisfactory assurance opinions is currently 8 in the year as two audits are still in progress.

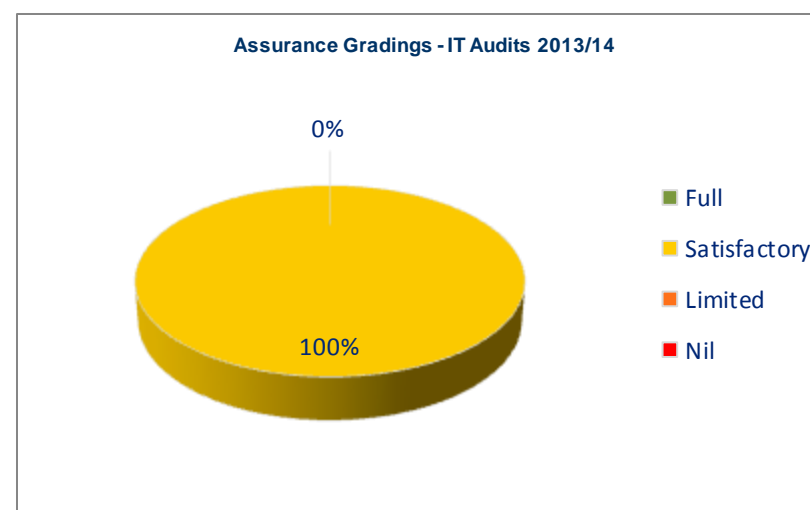
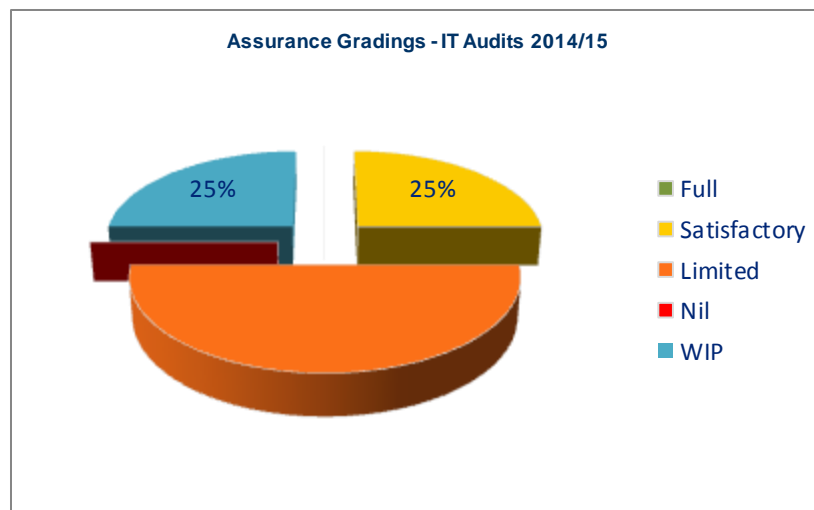
As Adur is part of the CenSus Revenues and Benefits service with Horsham and Mid Sussex district councils, agreement was made in 2010/11 that each of the councils' Internal Audit sections would complete one of the three revenues and benefits audits each year thus avoiding duplication of audit work. Our audit on CenSus Benefits is still in progress after its' start was delayed by CenSus. A copy of the final report in respect of CenSus Council Tax has been provided to us from Horsham District Council and this was given an assurance equivalent to our Satisfactory assurance. We are yet to receive the report on CenSus NDR from Crawley Borough Council's Internal Auditors acting on behalf of Mid Sussex District Council.

The limited assurance rating in relation to the Capital Expenditure and Fixed Assets audit noted a number of recommendations in relation to the Councils management of fixed assets which have been raised in this and previous audits and not yet implemented.

Other key themes arising from our audit work on the key financial systems relate to non compliance with routine hygiene controls such as maintenance of up to date procedure notes, and timely completion of reconciliations.

### Levels of Assurance – IT Audits

Each year Internal Audit also carries out audits of specific IT systems, the tables below summarise the audit gradings in respect of IT audits:-



The results of our computer audit programme of work during 2014/5 show that 25% (1 out of 4) achieved an assurance level of Satisfactory. The performance of 2013/14 was 100% (3 out of 3).

Overall we have identified the following key themes arising from our work this year:

- The continued lack of IT Disaster Recovery Plans which was identified in our 2011/12 Annual Audit Report and since;
- Procurement and contract issues, including non compliance with Council Contract Standing Orders, contract management and information retention, and the continued lack of a comprehensive corporate contracts register, and
- Continued slow progress on the implementation of agreed recommendations and the reiteration of recommendations which have not been implemented.



### Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	85.5%
Percentage of draft audit reports/work items complete	51	82.4%**

\*\* The 9 audits not completed are all currently in progress or under review and will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2015/16.

## Appendix 1 - Audit Projects with Limited Assurance 2014/15

Project	Grading	Summary of Key Findings
Complaints	Limited	Failures in sending acknowledgments to complaints and responding to the complainant within the 10 day target.
External Funding	Limited	The approval process had not been followed for 2 of 5 bids tested and we noted a lack of compliance with the centralised process.
Housing – Homelessness, Advice & Allocations	Limited	<p>Priority one recommendations were raised in respect of the following findings:-</p> <ul style="list-style-type: none"> <li>Review &amp; approval of the Homelessness Strategy.</li> <li>Reviewing the effectiveness of initial contact arrangements.</li> <li>Reviewing and clarifying the process for identifying clients who may be homeless/threatened with homelessness.</li> <li>Minimising the amount of time families spend in emergency accommodation</li> <li>Progressing cases requiring decisions and clearing decision backlog.</li> <li>Investigate clients in temporary accommodation for more than 3 years.</li> <li>Progress and clear the Housing register applications backlog.</li> <li>Investigate using void properties to house clients on the Emergency Accommodation List.</li> <li>Nominations agreement &amp; timeliness of nominations.</li> <li>Accuracy and timeliness of PIE Submissions.</li> </ul>
Data Protection & Information Governance	Limited	The Lack of an Information Asset Register
Void Management	Limited	Maintenance of key records and the timeliness of inspections.
Beach Huts	Limited	Lack of confirmation of owner ID and sale fees in respect of private sale transactions.
Desktop Printing & Reprographics (Draft)	Limited	Concern over the access of staff to the electronic filing of confidential documents.

Project	Grading	Summary of Key Findings
ITIL Service Desk (Draft)	Limited	Some areas for closer alignment to the ITIL framework were identified where improvements or changes could be made to achieve optimum compliance with the ITIL framework.
Health & Safety (Draft)	Limited	No central monitoring to determine if all the required risk assessments have been carried out and there does not appear to have been any recent risk assessments carried out to ascertain any new / emerging H & S risks relating to changes in organisational structure and as a result of new ways of working.
Capital Expenditure & Fixed Assets (Draft)	Limited	The continued lack of an Asset Management Plan and being unable to obtain any evidence to confirm that matching exercises are being carried out between the Estates Property Registers and the Fixed Assets Register.
Term Maintenance Contract (Keith Long Electrical) (Draft)	Limited	Lack of checking the correctness of formulae in tender evaluation spreadsheets. Being unable to confirm authorisation for award of the contract, lack of a signed contract for these works and lack of completeness of works order information within the Recorder system. Not being provided with any evidence of an analysis/performance monitoring such as the number of jobs completed in time, to standard etc. and no monitoring reports to senior management were available relating to any indicators of performance of the contractor.

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Substantial</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>Nil</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**May 2015**

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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# Worthing Borough Council

## Internal Audit Annual Report 2014/15

May 2015

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- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its' business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Worthing Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Worthing Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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<sup>1</sup> As from 1 February 2014, Mazars LLP purchased the shares of Deloitte & Touche Public Sector Internal Audit Limited from Deloitte LLP. The company will be known as Mazars Public Sector Internal Audit Limited.



## Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2014/15 included a total of 53 internal audit projects. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some internal audit projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the total number of projects actually undertaken in 2014/15 was 48 compared to 44 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2014/15.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work. .

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

## Compliance with the PSIAS

During our internal audit work we practice the principles of the PSAs. Self assessment to ascertain compliance with the PSAs, and peer review to confirm such compliance are yet to be performed.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2014/15.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2014/15, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2015/16.

## Overall Summary

As illustrated in the tables below, we have noted little change in Worthing Borough Council's control environment during the audit year. During the 2014/15 year, some 26 (70.3%) of internal audit projects were rated 'Satisfactory assurance' compared with 28 (71.8%) in the prior year. One 'Full assurance' opinion was issued compared to None in 2013/14.

We are pleased to report that we have not issued any 'No assurance' opinions in 2014/15. We issued 10 (27%) reports with 'limited assurance' opinions compared with 11 (28.2%) in the previous year.

Assurance Gradings	Number of Projects									
	2014/15		2013/14		2012/13		2011/12		2010/11	
Full	1	2.7%	0	2.5%	1	2.5%	2	5.7%	2	4.5%
Satisfactory	26	70.3%	28*	71.8%	27	67.5%	24	68.6%	34	77.3%
Limited	10	27.0%	11*	28.2%	11	27.5%	9	25.7%	8	18.2%
Nil	0	0%	0	2.5%	1	2.5%	0	0%	0	0%
<b>Sub-Total</b>	<b>37</b>		<b>39</b>		<b>40</b>		<b>35</b>		<b>44</b>	
Merged Audits / No Opinion Audits	4		5		4		7		3	
<b>Total Audits Delivered</b>	<b>41</b>		<b>44</b>		<b>43</b>		<b>42</b>		<b>48</b>	
Audits still in progress / Deferred	7									
<b>Total</b>	<b>48</b>		<b>44</b>		<b>43</b>		<b>42</b>		<b>48</b>	

\* Revised from 2013/14 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2013/14 report was produced

A summary of key findings for all 2014/15 Internal Audit projects rated as nil/limited is included at Appendix 1.

## Opinion 2014/15

From the Internal Audit work undertaken in compliance with the PSIAS in 2014/15, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Worthing Borough Council for the year ended 31 March 2015 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



## Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen a significant improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

### Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement for 2014/15.

As in 2013/14, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's annual audit letter 2013/14, where no significant deficiencies in the internal control arrangements were identified, and
- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

## **Risk Management**

Based on an internal audit of the Council's risk management framework, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors in their annual audit letter 2013/14, in which KPMG issued an unqualified conclusion of respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

We note the significant management and departmental changes that have occurred within the Council during 2014/15 and expect that these changes will result in change and enhancement of the risk management processes.

## **Information Technology Governance**

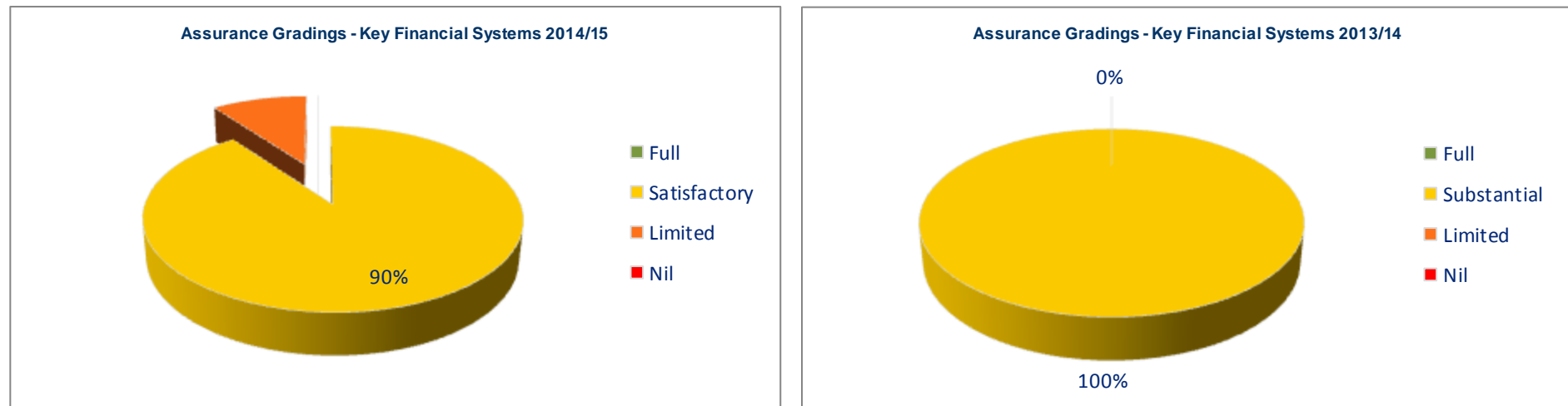
In our opinion the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on:

- our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2014/15; and
- the continued lack of IT Disaster Recovery arrangements which was raised in our Annual Internal Audit Report 2012/13.

### Internal Control - Key Financial Systems

Each year Internal Audit carries out audit projects of the Council's key financial systems, working in accordance with the managed audit process agreed with the external auditors.

This process allows the external auditors to place reliance on the work performed by Internal Audit to provide the Council with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment. It also allows the Council to limit external audit fees spent on reviewing the Council's activities. The table below summarises the audit gradings in this key area:



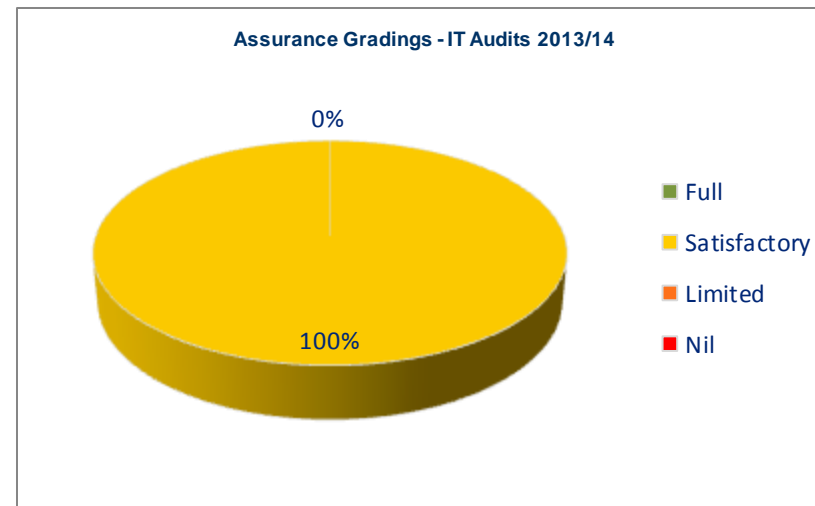
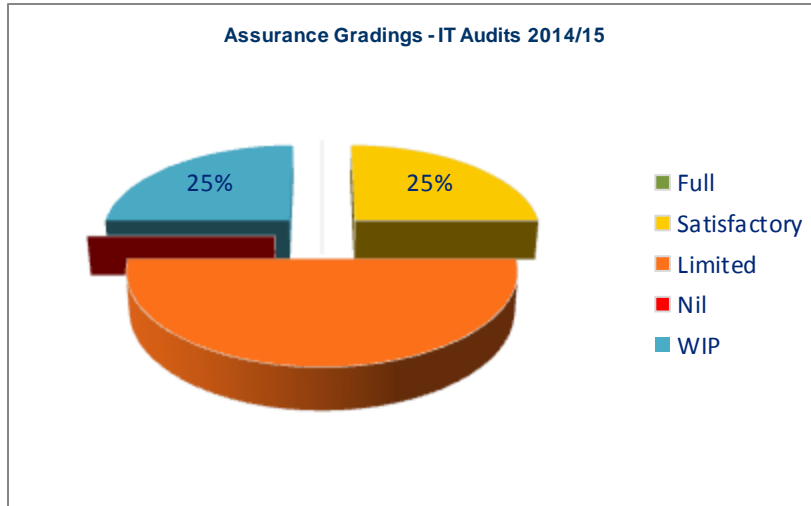
Overall we have seen a slight decline in the control environment around key financial systems. In particular, there have been no nil assurance opinions issued this year and one limited assurance opinion compared to none in the previous year.

The limited assurance rating in relation to the Capital Expenditure and Fixed Assets audit noted a number of recommendations in relation to the Council's management of fixed assets which have been raised in this and previous audits and not yet implemented.

Other key themes arising from our audit work on the key financial systems relate to non compliance with routine hygiene controls such as maintenance of up to date procedure notes, suspense account clearance and timely completion of reconciliations.

### Levels of Assurance – IT Audits

Each year Internal Audit also carries out audits of specific IT systems, the tables below summarise the audit gradings in respect of IT audits:-



The results of our computer audit programme of work during 2014/5 show that 25% (1 out of 4) achieved an assurance level of Satisfactory. The performance of 2013/14 was 100% (3 out of 3).

Overall we have identified the following key themes arising from our work this year:

- The continued lack of IT Disaster Recovery Plans which was identified in our 2011/12 Annual Audit Report and since;
- Procurement and contract issues, including non compliance with Council Contract Standing Orders, contract management and information retention, and the continued lack of a comprehensive corporate contracts register, and
- Continued slow progress on the implementation of agreed recommendations and the reiteration of recommendations which have not been implemented.

### Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	85.5%
Percentage of draft audit reports issued on time	48	41**

\*\* The 7 audits not completed are all currently in progress or under review and will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2015/16.

## Appendix 1 - Audit Projects with Limited and Nil Assurance 2014/15

Project	Grading	Summary of Key Findings
Complaints	Limited	Failures in sending acknowledgments to complaints and responding to the complainant within the 10 day target.
External Funding	Limited	The approval process had not been followed for 2 of 5 bids tested and we noted a lack of compliance with the centralised process.
Housing – Homelessness, Advice & Allocations	Limited	<p>Priority one recommendations were raised in respect of the following findings:-</p> <ul style="list-style-type: none"> <li>Review &amp; approval of the Homelessness Strategy.</li> <li>Reviewing the effectiveness of initial contact arrangements.</li> <li>Reviewing and clarifying the process for identifying clients who may be homeless/threatened with homelessness.</li> <li>Minimising the amount of time families spend in emergency accommodation</li> <li>Progressing cases requiring decisions and clearing decision backlog.</li> <li>Investigate clients in temporary accommodation for more than 3 years.</li> <li>Progress and clear the Housing register applications backlog.</li> <li>Investigate using void properties to house clients on the Emergency Accommodation List.</li> <li>Nominations agreement &amp; timeliness of nominations.</li> <li>Accuracy and timeliness of PIE Submissions.</li> </ul>
Data Protection & Information Governance	Limited	The Lack of an Information Asset Register
Beach Huts	Limited	Lack of confirmation of owner ID and sale fees in respect of private sale transactions.
Desktop Printing & Reprographics (Draft)	Limited	Concern over the access of staff to the electronic filing of confidential documents.
ITIL Service Desk (Draft)	Limited	Some areas for closer alignment to the ITIL framework were identified where improvements or changes could be made to achieve optimum compliance with the ITIL framework.



Project	Grading	Summary of Key Findings
Health & Safety (Draft)	Limited	No central monitoring to determine if all the required risk assessments have been carried out and there does not appear to have been any recent risk assessments carried out to ascertain any new / emerging H & S risks relating to changes in organisational structure and as a result of new ways of working.
Capital Expenditure & Fixed Assets (Draft)	Limited	The continued lack of an Asset Management Plan and being unable to obtain any evidence to confirm that matching exercises are being carried out between the Estates Property Registers and the Fixed Assets Register.
Term Maintenance Contract (Keith Long Electrical) (Draft)	Limited	Lack of checking the correctness of formulae in tender evaluation spreadsheets. Being unable to confirm authorisation for award of the contract, lack of a signed contract for these works and lack of completeness of works order information within the Recorder system. Not being provided with any evidence of an analysis/performance monitoring such as the number of jobs completed in time, to standard etc. and no monitoring reports t senior management were available relating to any indicators of performance of the contractor.

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Substantial</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>Nil</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**May 2015**

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Quarter	Audit Title	Risk Level	Authority to which audit relates			Work Complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
			Joint	ADC only	WBC only					
1	ADC - Annual Governance Statement	H		*		Y	Y	N/A	N/A	N/A
1	WBC - Annual Governance Statement	H			*	Y	Y	N/A	N/A	N/A
1	Insurance	M	*			Y	Y	Y	Satisfactory	Satisfactory
1	Petty Cash	L	*			Y	Y	Y	Satisfactory	No previous comparable audit
1	Agency Staff Arrangements	M	*			Y	Y	Y	Satisfactory	No previous audit
1	Staff Loans	L	*			Y	Y	Y	Satisfactory	Satisfactory
1	Housing Maintenance	M		*		Y	Y	Y	Satisfactory	Satisfactory
1	Home Improvement Assistance	L	*			Y	Y			
1	Health & Safety	H	*			Y	Y			
1	Budgetary Control	H	*			Y	Y	Y	Satisfactory	Satisfactory
1	Facilities Management & Security	M	*			Y	Y	Y	Satisfactory	Satisfactory
1	Complaints	M	*			Y	Y	Y	Limited	Limited
1	Probity - Inventories	L	*			Y	Memo	N/A	Not given for probity work	N/A
2	External Funding	M	*			Y	Y	Y	Limited	Satisfactory
2	Pool Cars	L	*			Y	Y	Y	Satisfactory	No previous audit
2	Housing Homelessness, Advice & Allocations	H	*			Y	Y	Y	Limited	No previous comparable audit
2	Data Protection & Information Governance	H	*			Y	Y	Y	Limited	No previous comparable audit
2	Pension Scheme- local administration	M	*			Y	Y	Y	Full	No previous audit
2	Car Parks	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
2	Estates	M	*			Y	Y			
2	Probity - Cash Floats	L	*			Y	Memo	N/A	Not given for probity work	N/A
2	Register of Electors	M	*			Y	Y			
2	Corporate Governance	H	*			Y	Y	Y	Satisfactory	Satisfactory
2	Sickness Recording & Monitoring	M	*			Y	Y			
2	Business Rates - Forecasting & income projection	H	*			Y	Y	Y	Satisfactory	No previous audit
2	Void Management	M		*		Y	Y	Y	Limited	No previous comparable audit
3	Hackney Carriage & Private Hire	L	*			Y	Y			
3	Desktop Printing & Reprographics	L	*			Y	Y			
3	Creditors	H	*			Y	Y	Y	Satisfactory	Satisfactory
3	Debtors	H	*			Y	Y	Y	Satisfactory	Satisfactory
3	Emergency Planning/Business Continuity (including Flood	H	*			Y	Y			
3	Probity -security company invoices	L	*			Y	Memo			
3	Housing Rents	M		*		Y	Y	Y	Satisfactory	Satisfactory
3	General Ledger	H	*			Y	Y	Y	Satisfactory	Satisfactory
3	WBC Revenues (Council Tax & NDR)	H			*	Y	Y	Y	Satisfactory	Satisfactory
3	WBC Benefits	H			*	Y	Y	Y	Satisfactory	Satisfactory
3	Decent Homes Contract Management	H		*		Y	UR			
4	Cashiering	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Risk Management	H	*			Y	Y			
4	Payroll	H	*			Y	Y			
4	Beach Huts	M	*			Y	Y	Y	Limited	No previous audit
4	Capital Expenditure & Fixed Assets	M	*			Y	Y	Y	Limited	Satisfactory
4	HMS Application	H		*		Y	Y			
4	Disaster Recovery	H	*			Y	UR			
4	Treasury Management	M	*			Y	Y	Y	Satisfactory	Satisfactory
4	Service Desk (ITIL)	H	*			Y	Y			
4	Land Drainage	L	*			Y	Y			
4	Third Party Commissioning	H	*			Y	UR			
4	Technology & Business Solutions	H	*			Y	UR			
4	Vertical - Multi Storey Car Park Barriers	H			*	Y	UR			
4	Term Maintenance Contract - Keith Long Electrical	H	*			Y	UR			
4	CenSus - Benefits	H		*		WIP				
4	Construction Contract - MTC Adaptations	H	*			WIP				

KEY  
P In Planning stage  
WIP Work In Progress  
UR Under review