

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 up to the 30th April 2016.
- 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 2015/16 and provides a detailed summary of the audit work completed against the 2015/16 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 Annual Internal Audit Plan and summarises the results of audit work carried out.

Internal Audit Performance - 2015/16

- 2.2 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.
- 2.3 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)	11	135.75	21.03%
Quarter 2 (July – September)	9	152.25	23.59%
Quarter 3 (October – December)	7	134.75	20.88%
Quarter 4 (January – March)	18	222.75	34.51%
	45	645.5	100

2.4 At 30th April, 562.95 days (87.2%) of the planned days had been delivered against the revised plan of 645.5 days. The days still to be completed relate to audits still to be conducted, currently in progress or under review.
Internal Audit Performance - 2016/17

2.5 The 2016/17 Annual Internal Audit Plan presented to the Joint Governance Committee on 22 March 2016 contained 514 days and 38 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:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	6	80.75	15.7%
Quarter 2 (July – September)	11	132.75	25.8%
Quarter 3 (October – December)	11	169.75	33.1%
Quarter 4 (January – March)	11	130.75	25.4%
	39	514	100

2.7 Work has only recently started on this plan and 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:

Priority 1	Major issues for the attention of senior management.
Priority 2	Other recommendations for local management action.
Priority 3	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:-

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Satisfactory Assurance	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.
Limited Assurance	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.
No Assurance	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.

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, seven reports have been finalised; of these six were Satisfactory assurance and one was Limited assurance. No 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.

2.13 We continue to report to DMTs on the implementation of audit recommendations and are receiving more prompt responses to our requests for updates.

2.14 The Audit App has been delivered to us by the Digital Team and we are currently populating it with outstanding recommendations with a view to going live on the system from the 1st June. This new system should transform the way in which recommendations are monitored and followed up in the future.

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
P1	16	12	75%	1	6.3%	3	18.7%	0	0%	25%	0	16
P2	111	73	65.8%	24	21.6%	14	12.6%	0	0%	34.2%	0	111
P3	23	17	73.9%	5	21.7%	1	4.4%	0	0%	26.1%	0	23
Other	6	6	100%	0	0%	0	0%	0	0%	0%	0	6
Total	156	108	69.2%	30	19.2%	18	11.5%	0	0%	30.8%	0	156

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
P1	37	21	56.8%	1	2.7%	6	16.2%	9	24.3%	43.2%	0	37
P2	123	74	60.2%	14	11.4%	29	23.6%	6	4.8%	39.8%	7	130
P3	30	18	60%	3	10%	7	23.3%	2	6.7%	40%	1	31
Other	1	1	100%	0	0%	0	0%	0	0%	0%	6	7
Total	191	144	59.7%	18	9.4%	42	22%	17	8.9%	40.3%	21	205

Analysis of status of recommendations 2015/16

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	10	9	90%	0	0%	0	0%	1	10%	10%	21	31
P2	17	8	47.1%	0	0%	0	0%	9	52.9%	52.9%	36	53
P3	3	1	33.3%	0	0%	0	0%	2	66.7%	66.7%	7	10
Other	0	0	0%	0	0%	0	0%	0	0%	0%	0	0
Total	30	18	60%	0	0%	0	0%	12	40%	40%	64	94

2.15 Attached as **Appendices 2, 3 & 4** are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2013/14, 2014/15 and 2015/16 Audit Plans. 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 2012/13 audit reports for which the percentage of outstanding recommendations is 6%.

Head of Internal Audit's Opinion – 2015/16

2.16 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.

2.17 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 2015/16.

2.18 Attached as **Appendix 7** is the detailed summary of the 2015/16 audits summarised in the HoIA reports.

3.0 Proposals

3.1 That the Committee note the performance of the Internal Audit Section.

3.2 That the Committee note the summary of the key issues raised in final audit reports issued and the current status on the follow-up on Internal Audit recommendations.

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 2015/16 and the updated summary of the 2015/16 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.
- 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.
- 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 2015/16 and the updated summary of the 2015/16 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
Delivery of Corporate Priorities & Surf's Up Agenda	H	Satisfactory (One Priority 2 and Two Priority Three recommendations)	No Priority 1 issues were raised.
Risk Management	H	Satisfactory (Two Priority 2 and One Priority Three recommendations)	No Priority 1 issues were raised.
Communications	M	Limited (Eight Priority 2 recommendations)	No Priority 1 issues were raised but there were issues in relation to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards
Community Infrastructure Levy	M	Satisfactory (Three Priority 2 recommendations)	No Priority 1 issues were raised.
Debtors	H	Satisfactory (Three Priority 2 recommendations)	No Priority 1 issues were raised.
Payroll	H	Satisfactory (Three Priority 2 and One Priority Three recommendations)	No Priority 1 issues were raised.
Treasury Management	H	Satisfactory (Two Priority 2 recommendations)	No Priority 1 issues were raised.

Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	% of recs outstanding	Comments
Director of Digital & Resources										
Finance										
Annual Governance Statement (control issues)	N/A	N/A	N/A							N/A
General Ledger	May-14	Satisfactory	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	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	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
Capital Expenditure & Fixed Assets	Dec-14	Satisfactory	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
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%					COMPLETE
Probity - Underbankings	N/A	N/A	N/A							N/A
Probity audit - Stores	Oct-12	N/A	1	1	100%					COMPLETE - Manager requested to note bolt stock in next year end stock report
Legal Services										
Corporate Governance	Mar-14	Limited	10	5	50%	5	50%			
DBS checks & requirements	Oct-13	Satisfactory	3	1	33%			2	67%	Rec 1 still partly outstanding - Note HR are chasing leisure re outstanding issue from rec 3.
Legal Services	Dec-13	Limited	7	7	100%					COMPLETE
Business & Technical Services										
Building Maintenance	May-15	Limited	7	2	29%	2	29%	3	43%	Update provided by Head of Bus Serv & Tech Services 23 May. 3 recs still in progress
Digital & Design										
Risk Management	Jul-14	Satisfactory	9	2	22%	7	78%			
Director of Economy										
Growth										
Bailiffs	Nov-14	Limited	3	3	100%					COMPLETE
Director of Communities										
Housing										
Housing Rents	May-14	Satisfactory	2	1	50%	1	50%			

Property Buy Back	Mar-14	Satisfactory	1	1	100%					Updated provided on 5 Oct confirms this scheme is no longer going to take place therefore O/S rec no longer applicable.	
Wellbeing											
Local Strategic Partnership	Apr-15	Satisfactory	4	3	75%			1	25%	One partly completed is outstanding (re AWBP TOR) update provided in May 16 confirmed this is in progress but as review of AWBP will be completed during 2016 this will not be complete until end of the year	
Safer Communities Partnership	Jun-14	Satisfactory	3	3	100%					COMPLETE	
Community Wellbeing	Mar-14	Limited	3	3	100%					COMPLETE	
Anti Social Behaviour Management	Jun-14	Satisfactory	4	4	100%					COMPLETE	
Environment											
Foreshore Service	Apr-14	Satisfactory	6	5	83%	1	17%			Over 80% complete so no further FU required. O/s rec was partly implemented.	
Cemeteries & Churchyards	May-14	Satisfactory	1	1	100%					COMPLETE	
Grounds Maintenance	May-14	Limited	5	3	60%			2	40%	2 recs outstanding 3.1 - GM Strategy & 3.2 - working procedures (WIP) update provided confirmed both are still in progress - procedures now due for completion by Dec 16	P1 rec re GM Strategy will be completed as part of Parks & Open Spaces Strategy - revised completion date Sept 16
Parks Income Management	Oct-13	Satisfactory	5	5	100%					COMPLETE	
Probity - Crematorium Ashes Procedure	Apr-14	Satisfactory	6	6	100%					COMPLETE	
Director of Customer Services											
Revenues & Benefits											
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	
CenSus NDR	Jun-14	Satisfactory	9	8	89%	1	11%			89% complete - no further FU required	
Waste & Cleansing											
AWCS - Vehicle Maintenance	May-14	Satisfactory	2	2	100%					COMPLETE	
Building Control & Land Charges											
Local Land Charges	Apr-14	Satisfactory	1	1	100%					COMPLETE	
Computer Audits											
Joint website - content & workflow	Nov-13	Satisfactory	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	10	4	40%			6	60%	Update rec'd 2/3 confirmed no further progress on implementation of outstanding recommendations. Request for update sent 23 May	P1 recs relate to IOS version & security patch management (not due for implementation until Sept 15) and change & configuration/release management controls (due May 15 & partly
Data Centre	Nov-13	Satisfactory	4	4	100%					COMPLETE	
House on the Hill	Mar-14	Satisfactory	8	4	50%			4	50%	Update provided on 12/11/15 - work in progress on o/s recs - Update requested 23 May	
			156	108	69%	30	19%	18	12%		

Facilities Management & Security	May-15	Satisfactory	15	4	27%			11	73%	Self Assessment to be re-issued to Facilities Officer on 9/3, no response. Update provided by Head of Bus & Tech on 23 May. Further FU required	
Health & Safety	Sep-15	Limited	7	5	71%			2	29%	Update received from Corp H & S Officer confirmed 2 still outstanding. Update requested 23 May	
Pool Car Pilot	May-15	Satisfactory	5	5	100%					COMPLETE	
Term Maintenance Contract Management - Keith	Mar-16	Limited	8					8	100%	FOLLOW UP DUE JUNE 16	
Construction Contract - MTC Adaptations											
Land Drainage	Jul-15	Satisfactory	5					5	100%	Request for update sent to auditee on 23 May	
Shoreham Centre	Mar-16	Satisfactory	1					1	100%	Met with Head of Bus & Technical Services - 4 recs being addressed for new contract so no further FU required.	
Digital & Design											
Risk Management	Jun-15	Satisfactory	14	5	36%	9	64%			Meeting held on 21/1 with CPO - remaining recs were in progress and further FU would be performed as part of 15/16 audit	
People											
Agency Staff Arrangements	Dec-14	Satisfactory	4	1	25%			3	75%	Update confirmed P1 rec as complete. Request for further update sent 23 May re o/s recs.	
Sickness Recording & Monitoring											
Director of Economy											
Place & Investment											
External Funding	Apr-15	Limited	9					9	100%	Update provide on 23 May confirmed that all recs are being worked on and revised deadlines have been set. Further follow up required	The P1 recs relate to the process for bid approval and monitoring this to ensure the appropriate approvals are obtained and reminding officers and monitoring that all funding bids are processed through the corporate process. Implementation dates set now staff in place to action
Growth											
Capital Expenditure & Fixed Assets	N/A	N/A								14/15 audit was not finalised - 15/16 audit focussed on Fixed Assets only as this is the area where all recommendations have been made in recent audits	
Director of Communities											
Housing											
Housing Rents	May-15	Satisfactory	3	3	100%					COMPLETE	

Housing Maintenance	Oct-14	Satisfactory	3	3	100%					COMPLETE	
Void Management	Apr-15	Limited	9	9	100%					COMPLETE - Self Assessment response received which indicates all recommendations have been implemented.	
Housing - Homelessness, Advice & Allocations	Jan-15	Limited	29	22	76%			7	24%	Update provided on 20 May confirmed 22 completed, 5 due to be completed by early June and 2 partly actioned and due for completion at end of Sept 16	The outstanding P1 rec was due to be actioned on 24 May.
Wellbeing											
Hackney Carriage & Private Hire	Jul-15	Satisfactory	4	3	75%			1	25%	Request for update re o/s rec (Handbooks) sent 23/5	
Third Party Commissioning	Nov-15	Satisfactory	1	1	100%					COMPLETE - Commissioning Strategy from 2014 being included within new Procurement Strategy	
Environment											
Beach Huts	May-15	Limited	11	11	100%					COMPLETE	
Director of Customer Services											
Revenues & Benefits											
WBC Benefits	Apr-15	Satisfactory	1	1	100%					COMPLETE	
WBC Revenues (Council Tax & NDR)	May-15	Satisfactory	5	4	80%			1	20%	Update confirmed 1 rec still in progress	
CenSus - Benefits	Nov-15	Satisfactory	4	3	75%	1	25%			Updated provided by Benefits Manager confirmed 2 recs completed. 15/16 audit confirmed 2 further recs actioned but the P1 rec re WO authorisation was re-raised in 15/16 report	
Customer Contact & Engagement											
Complaints	Dec-14	Limited	7	6	86%			1	14%	Update re outstanding rec provided on 24/5 - will be addressed by June 16	
Register of Electors	Jul-15	Satisfactory								No follow up required	
Car Parks	Oct-14	Satisfactory	1	1	100%					COMPLETE - the service has accepted that the 2 P1 recommendations re reconciliations could not be implemented as processes did not allow. The entire process for collecting car park income has therefore been revised instead.	
MSCP Plate Recognition Barrier System - Procurement	Nov-15	Satisfactory	2					2	100%	Self Assessment issued 29/2 - no response. Request for update sent 24/5	
Computer Audits											

Disaster Recovery	Jul-15	Limited	3					3	100%	Recommendations not due to be implemented until end Dec 15 - Update was provided by Head of CenSuS ICT at JGC 24/11/15 to confirm work in progress. Further report due to JGC in 6 months. Request for update sent 2/3 & 24/5	
HMS Application	Sep-15	Satisfactory	3	1	33%			2	67%	Self Assessment issued 29/2 for 2 outstanding recs. Update requested 24/5	
Data Protection & Information Governance	Mar-15	Limited	9	1	11%			8	89%	Request for update sent 24/5	The P1 rec was due to be implemented Dec 15 but delayed to March 2016
Service Desk (ITIL)	Sep-15	Limited	2					2	100%	FU self assessment schedule issued 6 Jan - reminder for update sent 24/5	
			205	114	56%	18	9%	73	36%		

Follow Up of Recommendations 2015/16 Audit Plan

	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	Percentage of recs outstanding	Key auditees	Self Ass Issued	Comments	Comments re Outstanding Priority 1 recs
Chief Executive													
Corporate													
Delivery of Corporate Priorities & Surf's Up Agenda	May-16	Satisfactory	3					3	100%	M Lowe		FOLLOW UP DUE SEPT 16	
Annual Governance Statements	N/A	N/A										N/A	
Corporate Governance													
Risk Management	May-16	Satisfactory	3					3	100%	M Lowe		FOLLOW UP DUE SEPT 16	
Project Management													
New Ways of Working implementation													
Use of Consultants													
Communications													
Communications	Mar-16	Limited	8					8	100%	N Hopkins		FOLLOW UP DUE JUNE 16	
Director for Economy													
Culture													
Venues													
Place & Investment													
Growth													
Fixed Assets													
Planning Services	Sep-15	Satisfactory	2	2	100%						29-Feb	COMPLETE	
Local Development Framework													
Community Infrastructure Levy	May-16	Satisfactory	3	1	33%			2	67%	I Moody		FOLLOW UP DUE SEP 16	
Director for Communities													
Housing													
Housing Rents													
Adur Building Services DSO	Mar-16	Limited	15	13	87%			2	13%	P Cooper		Update provided confirmed 2 outstanding but in progress	
Wellbeing													
Public Health													
Empty Property Management													
Environment													
Dog Control													
Director for Customer Services													
Revenues & Benefits													
WBC Benefits													
WBC Revenues (Council Tax & NDR)	Mar-16	Satisfactory	4	1	25%			3	75%	C McNeal		FOLLOW UP DUE JULY 16	
CenSus - Council Tax													
Waste & Cleansing													
AWCS	Oct-15	Satisfactory	1					1	100%	T Patching	29-Feb	Request for update sent 24 May	
Fixed Penalty Notices													
Customer Contact & Engagement													
Customer Services													
Electoral Services													
On Street Parking enforcement													
Building Control & Land Charges													
Building Control	Nov-15	Satisfactory	5	1	20%			4	80%	G Goacher	29-Feb	Request for update sent 24 May	
Director of Digital & Resources													
Finance													
General Ledger													
Cashiering													
Creditors													
Debtors	Apr-16	Satisfactory	2					2	100%	L Haynes		FOLLOW UP DUE AUG 16	
Payroll	Apr-16	Satisfactory	4					4	100%	G Townsend		FOLLOW UP DUE AUG 16	
Corporate Fraud Management													
Treasury Management	May-16	Satisfactory	2					2	100%	P Coppleman		FOLLOW UP DUE SEP 16	
Probity - Essential Users													
Legal													
Freedom of Information	Nov-15	Limited	6					6	100%	S Sale		Request for update sent 24/5	

Design & Digital												
Performance Management Delivery of Digital Strategy	Oct-15	Satisfactory	5					5	100%	M Lowe	29-Feb	Request for update sent 24 May
Business & Technical Services												
Decent Homes - report from 14/15 fact funding	Mar-16	Nil	28					28				Recommendations being used as checklist for new contract being let from
Computer Audits												
IT Resilience												
Public Services Network Cloud Computing Google Mail post implementation review	Sep-15	Satisfactory	3					3	100%	J Ross	29-Feb	Request for update sent 24 May
			94	18	19%	0	0%	76	81%			



Adur District Council

Internal Audit Annual Report 2015/16

May 2016

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

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 18 June 2013 between Worthing Borough and Adur District Councils (through the London Borough of Croydon's Framework Agreement) and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Adur District Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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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 2015/16 financial year, the service for which is provided by Mazars Public Sector Internal Audit Limited¹.

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.

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 2015/16 included a total of 59 internal audit projects when it was approved by the Joint Governance Committee in March 2015. 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 final number of projects in 2015/16 is 43 compared to 51 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2015/16.

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 2015/16.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2015/16, 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 2016/17.

Overall Summary

As illustrated in the tables below, we have noted improvement in Adur District Council's control environment during the audit year. During the 2015/16 year, some 25 (78.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 31 (67.4%) in the prior year. No 'Full assurance' opinion was issued in 2015/16 compared to one in 2014/15.

We have issued one 'Nil assurance' opinion in 2015/16, compared to none in 2014/15. We issued 6 reports (18.8%) with 'limited assurance' opinions compared with 14 (30.4%) in the previous year.

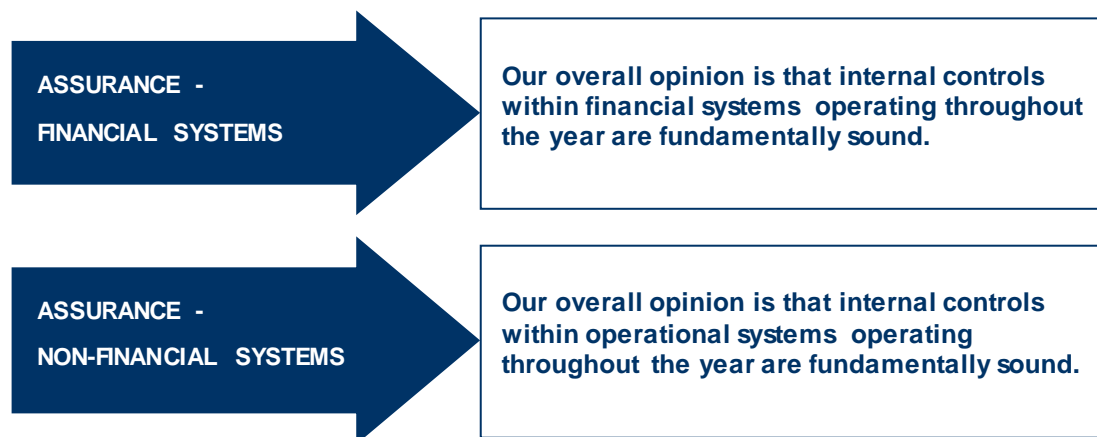
Assurance Gradings	Number of Projects									
	2015/16		2014/15		2013/14		2012/13		2011/12	
Full	0	0%	1	2.2%	0	0%	2	5.3%	1	3.1%
Satisfactory	25	78.1%	31*	67.4%	29	76.3%	29	76.3%	23	71.9%
Limited	6	18.8%	14*	30.4%	9	23.7%	7	18.4%	8	25%
Nil	1	3.1%	0	0%	0	0%	0	0%	0	0%
Sub-Total	32		46		38		38		32	
No Opinion Audits	3		5*		3		4		8	
Total Audits Delivered	35		51		41		42		40	
Audits still in progress / Deferred	8									
Total	43		51		41		42		40	

* Revised from 2014/15 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2014/15 report was produced.

A summary of key findings for all 2015/16 Internal Audit projects rated as nil/limited is included at Appendix 1.

Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, 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 2016 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 an 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 (AGS) for 2015/16.

As in 2014/15, 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 2014/15, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they had "No issues to report". 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 2014/15, in which Ernst & Young 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.

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 2015/16 or from those 2014/15 audits completed since our 2014/15 report was produced.

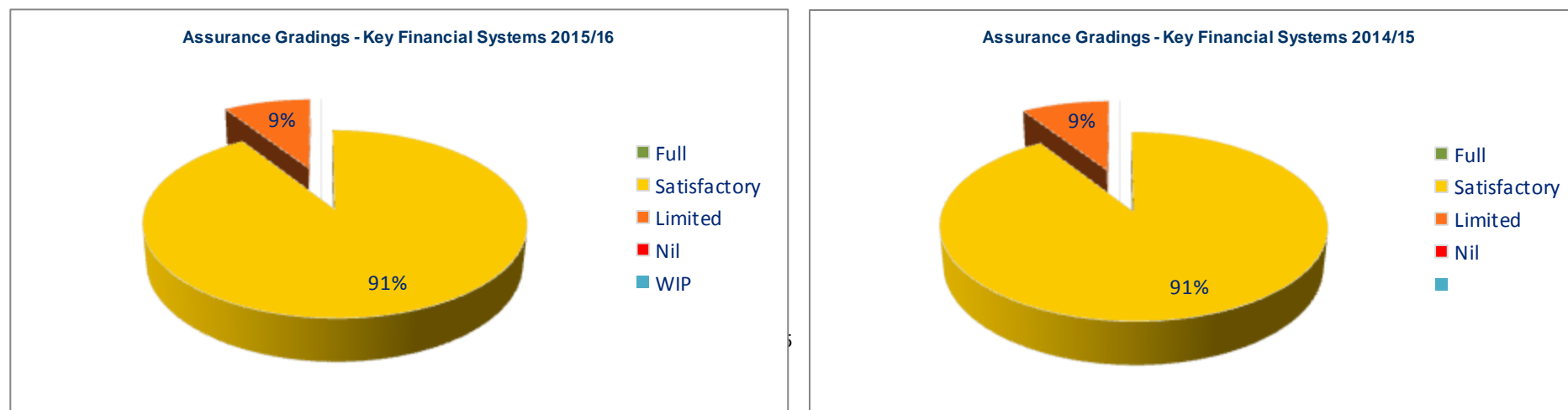
We do, however, note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The external auditors, Ernst & Young, consider that Internal Audit is a key part in the Council's internal control environment that they review during their assessment process to help them assess the level of risk of material errors occurring in the financial statements and inform the level of testing that they are required to complete in support of their audit opinion. They consider the results of our testing of financial systems and, where it is appropriate to do so, undertake procedures to allow them to place reliance upon that testing. This assists the Council to limit external audit fees spent on reviewing the Council's activities.

The table below summarises the assurance gradings from our audits 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 was 10.

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 Council Tax resulted in a satisfactory assurance grading. A copy of the final report in respect of CenSus Benefits has been provided to us from Crawley Borough Council's Internal Auditors acting on behalf of Mid Sussex District Council and this was given an assurance equivalent to our satisfactory assurance. We are yet to receive the report on CenSus NDR from Horsham District Council but are aware that it was awarded a grading equivalent to our satisfactory rating.

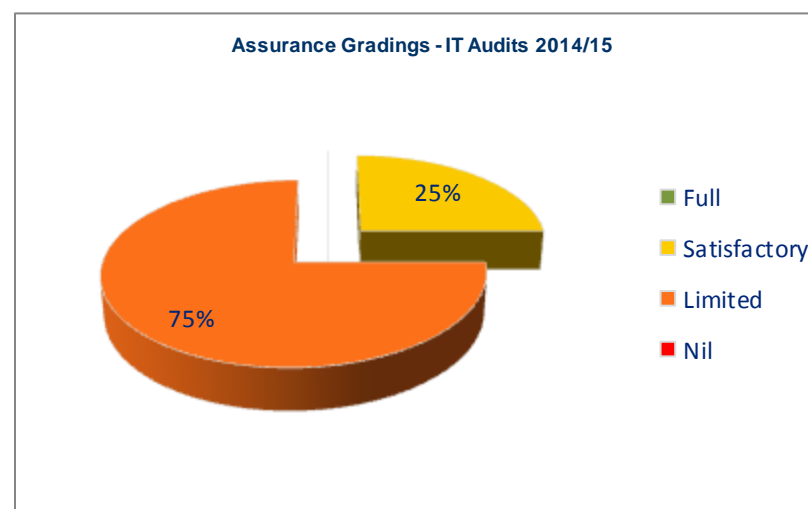
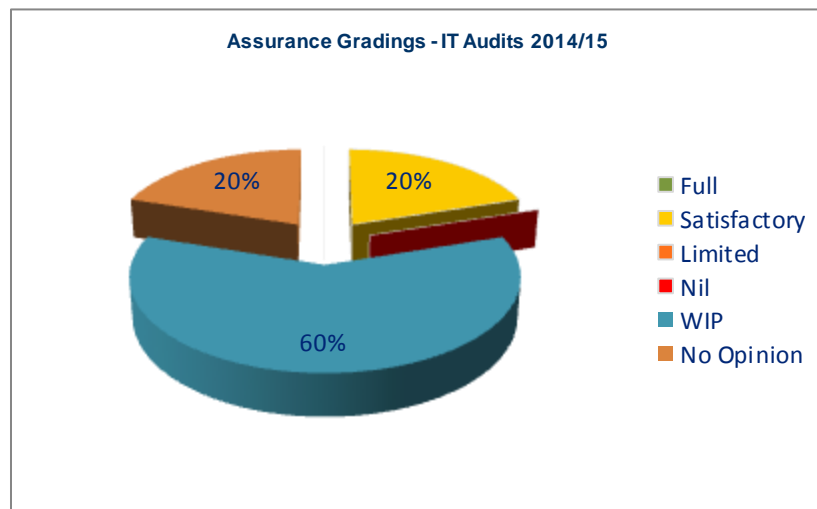
The limited assurance rating in relation to the Fixed Assets audit noted a number of recommendations in relation to the Council's management of fixed assets which have been raised in this and previous audits and have yet to be implemented.

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, approval for write-off of irrecoverable debts and the timely completion of reconciliations.

We have also noted the external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state "We did not identify any significant deficiencies in the design or operation of internal control that might result in a material misstatement in the Council's financial statements".

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 2015/6 show that 20% (1 out of 5) has achieved an assurance level of Satisfactory. However, there are 3 computer audits still to complete and the gradings from these will be taken into account in the Head of Internal Audit Opinion for 2016/17 The performance of 2014/15 was 75% Limited (3 out of 4).

Key Themes

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

- The continued lack of IT Disaster Recovery Plans, although we acknowledge these are being worked on; and
- Further procurement and contract issues, including non-compliance with Council Contract Standing Orders, contract management and information retention.

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%	87.2%
Percentage of draft audit reports/work items complete	43	35*

** The 8 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 2016/17.

Appendix 1 - Audit Projects with Limited or Nil Assurance 2015/16

Project	Grading	Summary of Key Findings
Decent Homes Kitchens & Bathrooms Measured Term Contract	Nil	<p>Priority 1 recommendations were made in relation to:</p> <ul style="list-style-type: none"> • The lack of management stability on the client side of the project. • Selecting an appropriate procurement route commensurate with contract value. • Producing formal tender opening registers and retaining them on file. • Recording submitted tender prices. • Having the requisite number of people present at tender opening in accordance with Contract Standing Orders (CSOs). • Scoring, recording and retaining tender evaluations. • Clarifying rejection criteria in CSOs. • Ensuring approval to proceed to 'award of contract' is in accordance with CSOs. • Considering the form of contract to be used as part of the delivery/procurement strategy at the time of procurement. • Completing contracts correctly and checking prior to entering into them, particularly where the tendered prices/rates are subject to fluctuations. • Pricing service delivery performance prior to tender submissions through published KPIs at invitation to tender stage. • Holding regular and timely contract monitoring meetings. • Maintaining, for large and/or complex projects, an up to date risk and issues register as part of the monthly KPI monitoring report. • Recording, approving and instructing contract variations. • Producing and certifying valuations or checking contractors' applications for payment. • Producing and certifying interim/final payment certificates. • Not processing contractors' invoices for payment where they do not match the corresponding Payment Certificate and Valuation Summary & Application for Payments. • Reporting anticipated programme and cost effects in a regular and timely manner. • Rectification of defects. • Retention of documents on file.

Project	Grading	Summary of Key Findings
Adur Building Services DSO (including maintenance of corporate buildings)	Limited	<p>Priority 1 recommendations were made in relation to:-</p> <ul style="list-style-type: none"> • The lack of Service Level Agreement (SLA) between the DSO and Housing for the service being provide. • Standardising procedures. • Updating the Schedule of Rates (SOR) each year in line with contract expectations. • The lack of a monitoring process to ensure that all work requests are received, actioned and invoiced. • Allocating works to operatives in a timely manner in order to ensure their completion in line with their priority ratings. • Introducing a process for post incepting a sample of works to ensure quality is being delivered. • Regularly reviewing the Outstanding Orders Reports and actioning queries immediately. • Ensuring works are completed in order to meet the target date assigned and that adequate records are maintained to support completion of works.
Communications	Limited	The key issues raised related to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards.
Freedom of Information	Limited	<p>One Priority 1 recommendation was made in relation to staff not completing the Councils' mandatory FOI training.</p> <p>Other findings related to updating the Information Security Policy Suite, procedures for maintaining the Publication Scheme, logging of FOI requests, retention of supporting information assignment if SIOs, responding to requests by deadlines and logging appeals.</p>
Use of Consultants (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • Setting minimum requirements for a business case when the employment of a Consultant is being considered including who should approve such cases; • Maintaining evidence to support quotations received from Consultants; • Compliance with Officer Employment Procedure Rules; • Signing of Contracts; and • Monitoring of spend on Consultants.

Project	Grading	Summary of Key Findings
		Other findings related to the need for a Code of Practice for the engagement of Consultants, business case approval, updating Contract Standing Orders and ensuring engagement of the Procurement Team.
Electoral Services (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • Performing Right to Work in the UK checks on elections staff • Producing a Policy to govern Council staff working in elections within normal working hours • Ensuring staff have the required breaks during election duties • Maintaining records and supporting evidence for payments made from the “clerical” fund <p>Other findings related to the production of procedure notes, completion of the on-line training, arranging contingent staff, obtaining documented manager permission for Council staff performing election duties during work hours, maintenance of attendance records for all election duties, prior agreement of overtime, correct calculation of the RO fee, retention of documentation to support payment calculations, updating of the equipment itinerary.</p>
Fixed Assets (Draft)	Limited	<p>Priority 1 recommendations have been made in relation to:</p> <ul style="list-style-type: none"> • The continued lack of an Asset Management Plan; • Performing stock condition surveys on all Council buildings <p>Other findings related to the accuracy of the Fixed Assets Register, reconciliation of the FAR with the general ledger, establishing a rolling programme of valuations and developing a depreciation policy.</p>

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
Full	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
Satisfactory	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.
Limited	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.
Nil	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 2016

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.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.



Worthing Borough Council

Internal Audit Annual Report 2015/16

May 2016

This report has been prepared on the basis of the limitations set out on page 11.

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 18 June 2013 between Worthing Borough and Adur District Councils (through the London Borough of Croydon's Framework Agreement) and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Worthing Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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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 Worthing Borough Council (the Council) during the 2015/16 financial year, the service for which is provided by Mazars Public Sector Internal Audit Limited¹.

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. 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.

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 2015/16 included a total of 58 internal audit projects when it was approved by the Joint Governance Committee in March 2015. 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.

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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 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 2015/16.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2015/16, 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 2016/17.

Overall Summary

As illustrated in the tables below, we have noted improvement in Worthing Borough Council's control environment during the audit year. During the 2015/16 year, some 24 (80%) of internal audit projects were rated 'Satisfactory assurance' compared with 29 (65.9%) in the prior year. No 'Full assurance' opinion was issued in 2015/16 compared to one in 2014/15.

We are pleased to report that we have not issued any 'Nil assurance' opinions in 2015/16. We issued 6 (20%) reports with 'limited assurance' opinions compared with 14 (31.8%) in the previous year.

Assurance Gradings	Number of Projects									
	2015/16		2014/15		2013/14		2012/13		2011/12	
Full	0	%	1	2.3%	0	0%	1	2.5%	2	5.7%
Satisfactory	24	80%	29*	65.9%	28	71.8%	27	67.5%	24	68.6%
Limited	6	20%	14*	31.8%	11	28.2%	11	27.5%	9	25.7%
Nil	0	0%	0	0%	0	0%	1	2.5%	0	0%
Sub-Total	30		44		39		40		35	
No Opinion Audits	3		4		5		4		7	
Total Audits Delivered	33		48		44		43		42	
Audits still in progress / Deferred	8									
Total	41		48		44		43		42	

* Revised from 2014/15 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2014/15 report was produced

A summary of key findings for all 2015/16 Internal Audit projects rated as nil/limited is included at Appendix 1.

Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, 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 2016 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 an 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 preparing the Annual Governance Statement (AGS) for 2015/16.

As in 2014/15, 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 2014/15, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they had "No issues to report", and
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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 2014/15, in which Ernst & Young 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.

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 2015/16 or from those 2014/15 audits completed since our 2014/15 report was produced.

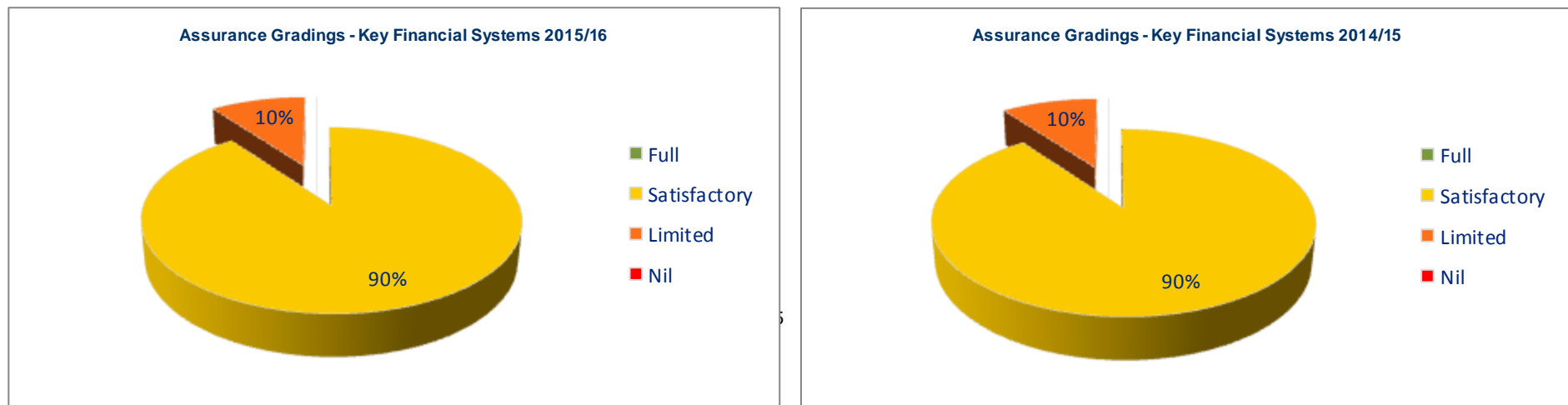
We do, however, note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The external auditors, Ernst & Young, consider that Internal Audit is a key part in the Council's internal control environment that they review during their assessment process to help them assess the level of risk of material errors occurring in the financial statements and inform the level of testing that they are required to complete in support of their audit opinion. They consider the results of our testing of financial systems and, where it is appropriate to do so, undertake procedures to allow them to place reliance upon that testing. This assists the Council to limit external audit fees spent on reviewing the Council's activities.

The table below summarises the assurance gradings from our audits in this key area:



The control environment around key financial systems has remained the same as 2014/15, with one limited assurance opinion issued.

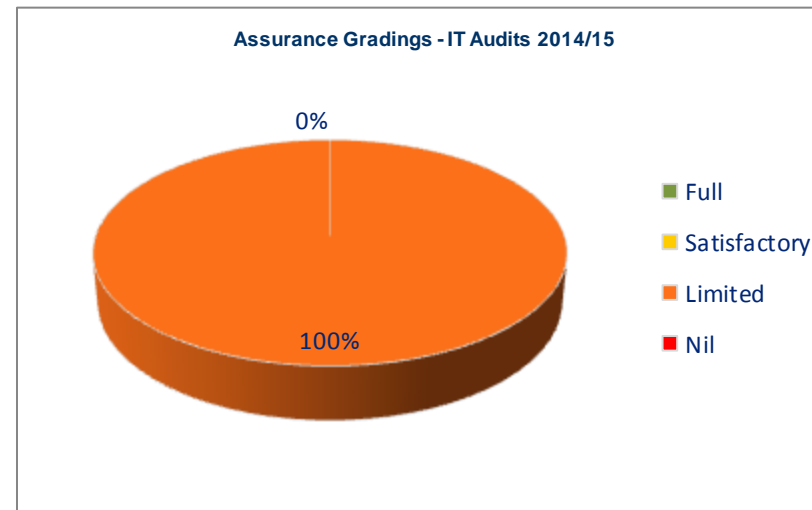
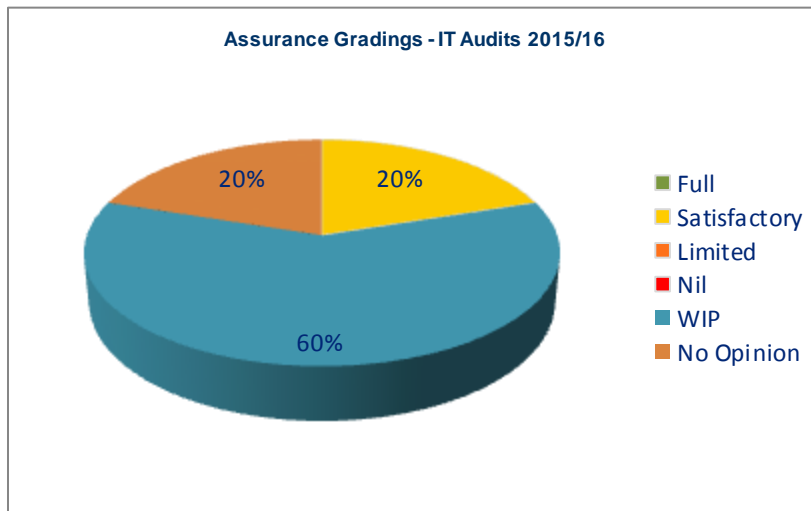
The limited assurance rating in relation to the Fixed Assets audit noted a number of recommendations in relation to the Council's management of fixed assets which have been raised in this and previous audits and have yet to be implemented.

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, approval for write-off of irrecoverable debts and the timely completion of reconciliations.

We have also noted the external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state "We did not identify any significant deficiencies in the design or operation of internal control that might result in a material misstatement in the Council's financial statements".

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 2015/6 show that 20% (1 out of 5) has achieved an assurance level of Satisfactory. However, there are 3 computer audits still to complete and the gradings from these will be taken into account in the Head of Internal Audit Opinion for 2016/17. The performance of 2014/15 was 100% Limited (3 out of 3).

Key Themes

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

- The continued lack of IT Disaster Recovery Plans, although we acknowledge these are being worked on; and
- Further procurement and contract issues, including non-compliance with Council Contract Standing Orders, contract management and information retention.

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%	87.2%
Percentage of draft audit reports issued	41	33**

** The 8 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 2016/17.

Appendix 1 - Audit Projects with Limited and Nil Assurance 2015/16

Project	Grading	Summary of Key Findings
Adur Building Services DSO (including maintenance of corporate buildings)	Limited	<p>Priority 1 recommendations were made in relation to:-</p> <ul style="list-style-type: none"> • The lack of Service Level Agreement (SLA) between the DSO and Housing for the service being provide. • Standardising procedures. • Updating the Schedule of Rates (SOR) each year in line with contract expectations. • The lack of a monitoring process to ensure that all work requests are received, actioned and invoiced. • Allocating works to operatives in a timely manner in order to ensure their completion in line with their priority ratings. • Introducing a process for post incepting a sample of works to ensure quality is being delivered. • Regularly reviewing the Outstanding Orders Reports and actioning queries immediately. • Ensuring works are completed in order to meet the target date assigned and that adequate records are maintained to support completion of works.
Communications	Limited	The key issues raised related to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards.
Freedom of Information	Limited	<p>One Priority 1 recommendation was made in relation to staff not completing the Councils' mandatory FOI training.</p> <p>Other findings related to updating the Information Security Policy Suite, procedures for maintaining the Publication Scheme, logging of FOI requests, retention of supporting information assignment if SIOs, responding to requests by deadlines and logging appeals.</p>
Use of Consultants (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • Setting minimum requirements for a business case when the employment of a Consultant is being considered including who should approve such cases; • Maintaining evidence to support quotations received from Consultants;

Project	Grading	Summary of Key Findings
		<ul style="list-style-type: none"> • Compliance with Officer Employment Procedure Rules; • Signing of Contracts; and • Monitoring of spend on Consultants. <p>Other findings related to the need for a Code of Practice for the engagement of Consultants, business case approval, updating Contract Standing Orders and ensuring engagement of the Procurement Team.</p>
Electoral Services (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • Performing Right to Work in the UK checks on elections staff • Producing a Policy to govern Council staff working in elections within normal working hours • Ensuring staff have the required breaks during election duties • Maintaining records and supporting evidence for payments made from the “clerical” fund <p>Other findings related to the production of procedure notes, completion of the on-line training, arranging contingent staff, obtaining documented manager permission for Council staff performing election duties during work hours, maintenance of attendance records for all election duties, prior agreement of overtime, correct calculation of the RO fee, retention of documentation to support payment calculations, updating of the equipment itinerary.</p>
Fixed Assets (Draft)	Limited	<p>Priority 1 recommendations have been made in relation to:</p> <ul style="list-style-type: none"> • The continued lack of an Asset Management Plan; • Performing stock condition surveys on all Council buildings <p>Other findings related to the accuracy of the Fixed Assets Register, reconciliation of the FAR with the general ledger, establishing a rolling programme of valuations and developing a depreciation policy.</p>

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
Full	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
Satisfactory	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.
Limited	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.
Nil	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 2016

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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	N/A	N/A	N/A	N/A
1	WBC - Annual Governance Statement	H			*	Y	N/A	N/A	N/A	N/A
1	Probity - Essential Users	L	*			Y	Y			
1	Fixed Penalty Notices	L	*			Y	Y			
1	New Ways of Working Implementation	H	*			Y	Y			
1	Dog Control	L	*			Y	Y			
1	AWCS	M	*			Y	Y	Y	Satisfactory	Satisfactory
1	Venues		*			Y	Y			
1	Financial Management system - input on controls for replacement system	H	*			WIP	N/A	N/A	N/A	N/A
1	Building Control	L	*			Y	Y	Y	Satisfactory	No previous comparable audit
2	Performance Management	M	*			Y	Y	Y	Satisfactory	
2	Public Services Network	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
2	Adur Building Services DSO	H	*			Y	Y	Y	Limited	No previous comparable audit
2	Planning Services	M	*			Y	Y	Y	Satisfactory	Satisfactory
2	Use of Consultants	H	*			Y	Y			
2	On Street Parking Enforcement	L	*			Y	Y			
2	Communications	M	*			Y	Y	Y		
2	Electoral Services	M	*			Y	Y			
2	Freedom of Information	H	*			Y	Y	Y	Limited	Limited
2	Decent Homes (report 14-15 from fact finding)	H		*		Y	Y	Y	No	
3	Corporate Governance	H	*			Y	Y			
3	Housing Rents	H		*		Y	Y			
3	WBC Benefits	H			*	Y	Y			
3	WBC Revenues (Council Tax & NDR)	H			*	Y	Y			
3	CenSus - Council Tax	H		*		Y	Y	Y	Satisfactory	Satisfactory
3	General Ledger	H	*			Y	Y			
3	Creditors	H	*			Y	Y			
3	Debtors	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Cashiering	H	*			Y	Y			
4	Payroll	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Fixed Assets	M	*			Y	Y			
4	Treasury Management	M	*			Y	Y	Y	Satisfactory	Satisfactory
4	Cloud Computing	H	*			WIP				
4	Risk Management	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Project Management	H	*			Y	UR			
4	Delivery of Corporate Priorities	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
4	Public Health	M	*			Y	UR			
4	Local Development Framework	M	*			Y	UR			
4	Community Infrastructure Levy	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
4	Empty Property Management	L	*			Y	Y			
4	Corporate Fraud Management	H	*			P				
4	Customer Services	M	*			P				
4	Delivery of Digital Strategy	H	*		*	P				
4	IT Resilience	H	*			P				
4	Google Mail Post Implementation	H	*			P				

KEY

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



Adur District Council - Decent Homes (Kitchens & Bathrooms) Measured Term Contract

Report by the Head of Business & Technical Services

1.0 Summary

- 1.1 This report has been prepared in response to the request made at the meeting held 22nd March 2016, minute no JGC/15-16/047 - Internal Audit Progress Report.
- 1.2 In July 2015, an Internal Audit report was completed on the procedures and controls in place in relation to the Adur Homes Decent Homes - Kitchen and Bathrooms contract that was awarded in 2013 by Adur Homes Surveyors and has since expired. A nil assurance opinion was given by the Auditors in their final report published January 2016.
- 1.3 This report gives some of the background to the Kitchens and Bathrooms contract and the steps that are now being taken to implement the recommendations from the Internal Audit and make improvements for the new contract due to start 1st June 2016.

2.0 Background

- 2.1 The Kitchens and Bathrooms contract is part of Adur Homes strategic objective to upgrade its housing stock to meet the Decent Homes standard by upgrading kitchens and bathrooms in tenanted homes in accordance with an agreed programme/budget.
- 2.2 This contract was awarded to P H Becks Ltd and since its commencement in September 2013 the total spend has been around £4.5 million funded from the Adur Homes Capital Programme. The contract expired in the Autumn of 2015.
- 2.3 The contract was previously managed by Adur Homes and day to day responsibility fell mainly to two members of the Building Surveying team and managed by the

Senior Building Surveyor . These two Officers departed the employment of the Council in early 2015.

- 2.4 In early 2015, the Adur Homes Building Surveyors were transferred to the Digital & Resources Directorate to form one single team of Building Surveyors who can carry out corporate projects as well as those relating to Adur Homes. This team is now managed by the Head of Business & Technical Services.

3.0 Actions arising from Audit recommendations

- 3.1 The Internal Audit for the Kitchens and Bathrooms contract gave 20 Priority 1 recommendations . With the change of management and staff involved, the expiry of the contract, these recommendations have been accepted and have been used as a checklist of improvements that must be put in place for any new contract.
- 3.2 The Head of Business & Technical Services has been working with the Head of Adur Homes on the future requirements for Decent Homes (kitchens and bathrooms) for the next 12/24 months in accordance with Adur Homes Capital Programme.
- 3.3 A new contract is planned to commence on 1st June 2016. Tenders have been received from 5 contractors. A decision has been made to use the London Housing Consortia Procurement Framework where 5 tenders have been received and are currently being evaluated by technical and procurement staff. External advice has also been received on the contract documentation to ensure that all the issues identified in the Internal Audit have been addressed.
- 3.4 Meetings with our Internal Auditors (Mazars) have been held to discuss the detailed findings. Attached to this report is a summary of the Priority 1 recommendations from the Audit report and the actions that have been and are being implemented for the new contract. Please see appendix 1.

4.0 Recommendation

- 4.1 The Joint Governance Committee is asked to note the contents of the report and the actions taken to address the recommendations from the Internal Audit report.

Local Government Act 1972

Background Papers: Joint Governance Committee 22nd March 2016.

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Appendix 1 - Key issues from Decent Homes (Kitchen & Bathrooms Measured Term Contract) final audits

Audit Title	Summary of key issues raised in final audit	Summary of Actions put in place May 2016 by Head of Business & Technical Services
<p>Decent Homes – Kitchens & Bathrooms Measured Term Contract (2015/16)</p>	<p>The Priority 1 recommendations relate to:</p> <ul style="list-style-type: none"> • The lack of management stability on the client side of the project. • Selecting an appropriate procurement route commensurate with contract value. • Producing formal tender opening registers and retaining them on file. • Recording submitted tender prices. • Having the requisite number of people present at tender opening in accordance with Contract Standing Orders (CSOs). • Scoring, recording and retaining tender evaluations. • Clarifying rejection criteria in CSOs. • Ensuring approval to proceed to 'award of contract' is in accordance with CSOs. • Considering the form of contract to be used as part of the delivery/procurement strategy at the time of procurement. 	<ul style="list-style-type: none"> • There has been a change of staff and those involved in the letting of this contract are no longer in post. • Discussions held with Internal Audit and responsible officers and agreed procurement approach using London Housing Consortia Procurement Framework. • The new tenders will be received via the Councils secure e-tendering portal and these will be opened electronically by the Procurement team. • Tender prices are recorded on the e-tendering portal. • The e-tendering portal is an improved method of receiving and opening tenders that is secure and in accordance with the Councils Contract Standing Orders. • The tender evaluations will be recorded and retained electronically. All evaluations will be retained by the Procurement Team. • Tenders will only be rejected if they do not comply with the Councils requirements. Reasons for rejection will be recorded and confirmed to the tenderer. • The award of the new contract will be a key decision and a decision to award agreed by the Director for Digital & Resources. • Advice has been obtained from an external Quantity Surveying Consultancy on the form of

	<ul style="list-style-type: none"> ● Completing contracts correctly and checking prior to entering into them, particularly where the tendered prices/rates are subject to fluctuations. ● Pricing service delivery performance prior to tender submissions through published KPIs at invitation to tender stage. ● Holding regular and timely contract monitoring meetings. ● Maintaining, for large and/or complex projects, an up to date risk and issues register as part of the monthly KPI monitoring report. ● Recording, approving and instructing contract variations. ● Producing and certifying valuations or checking contractors' applications for payment. ● Producing and certifying interim/final payment certificates. ● Not processing contractors' invoices for payment where they do not match the corresponding Payment Certificate and Valuation Summary & Application for Payments. ● Reporting anticipated programme and cost effects in a regular and timely manner. ● Rectification of defects. ● Retention of documents on file. 	<p>contract to be used and the contract documentation.</p> <ul style="list-style-type: none"> ● The new contract will be checked over by Building Surveyors, procurement and legal staff independently prior to entering into the new contract. ● KPI's have been included in the new tender documentation and a more robust approach to contract management will be introduced with the new contract. ● The newly appointed Senior Surveyor will ensure regular contract monitoring reviews are held and recorded . ● As above ● As above ● Detailed records of all installations will be maintained by the Surveying team and payments certified in accordance with the contract conditions. ● As above. ● As above ● Regular reports will be made to the Adur Homes Management Board on progress with the agreed programme of works and budget. ● Defects will be recorded and dealt with swiftly in accordance with the new contract conditions ● All documents will be stored on a newly created electronic file.
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