

Internal Audit Progress Report

Report of the Acting Head of Internal Audit

1.0 Summary

- 1.1 This report seeks to update Members of this Committee with the current performance of the Internal Audit Section and to provide summaries of the key issues raised in final audit reports issued since our last report to this Committee; the current status on the implementation of agreed audit recommendations; and on fraud work conducted at the Councils.
- 1.2 This report also provides the Head of Internal Audit's opinion reports on the system of internal control at Adur District Council and Worthing Borough Council during 2016/17 and provides a detailed summary of the audit work completed against the 2016/17 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 - 2016/17

- 2.2 The 2016/17 Annual Internal Audit Plan presented to the Joint Governance Committee on 22nd March 2016 contained 514 days and 38 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.3 Whilst the audit plan was revised during the year to accommodate requests to move audits and to take account of changes in requirements the final plan included the same number of audits and the same number of days. At 31st May, 491.5 days (95.6%) of the planned days had been delivered against the plan. The days still to be completed relate to two audits still to be conducted.

Internal Audit Performance - 2017/18

- 2.4 The 2017/18 Annual Internal Audit Plan presented to the Joint Governance Committee on 28th March 2017 contained 511 days and 34 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.5 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)	4	87	17.0%
Quarter 2 (July – September)	15	182.5	35.7%
Quarter 3 (October – December)	8	147	28.8%
Quarter 4 (January – March)	8	94.5	18.5%
	35	511	100%

- 2.6 As at 31st May, 51.6 days (10.1%) of the planned days had been delivered. We will report detailed information on progress in our next report to this Committee.

Final Audit Reports

- 2.7 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.

- 2.8 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.

- 2.9 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. Since the previous Committee, thirteen reports have been finalised; of these one was No assurance, one was Limited assurance and eleven were Satisfactory assurance. Ten P1 recommendations were raised within these reports.

Follow up of Audit Recommendations

- 2.10 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.
- 2.11 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 current performance in relation to these targets is shown in the tables below.
- 2.12 The Audit App is now being used more widely to provide updates on the implementation of recommendations. Going forward the App will be used to produce statistical information on the implementation of audit recommendations, but in the interim, we will continue to manually calculate the information provided to this Committee as detailed in the tables below.

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	31	83.8%	1	2.7%	5	13.5%	0	0%	16.2%	0	37
P2	131	109	83.2%	15	11.4%	7	5.4%	0	0%	16.8%	0	131
P3	31	27	87.1%	3	9.7%	1	3.2%	0	0%	12.9%	0	31
Other	7	1	14.3%	0	0%	6	85.7%	0	0%	85.7%	0	7
Total	206	168	81.6%	19	9.2%	19	9.2%	0	0%	18.4%	0	206

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	41	41	100%	0	0%	0	0%	0	0%	0%	4	45
P2	90	62	68.9%	8	8.9%	10	11.1%	10	11.1%	31.1%	10	100
P3	20	11	55%	3	15%	4	20%	2	10%	45%	0	20
Total	151	114	75.5%	11	7.3%	14	9.3%	12	7.9%	24.5%	14	165

Analysis of status of recommendations 2016/17

	Total Due	Impl	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	1	1	100%	0	0%	0	0%	0	0%	0%	11	12
P2	26	10	38.5%	0	0%	9	34.6%	7	26.9%	61.5%	41	67
P3	3	1	33.3%	0	0%	0	0%	2	66.7%	66.7%	7	10
Total	30	12	40%	0	0%	9	30%	9	30%	60%	59	89

- 2.13 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 2014/15, 2015/16 and 2016/17 Audit Plans. The shaded boxes indicate where changes have occurred since our last report.

Head of Internal Audit's Opinion – 2016/17

- 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 From the Internal Audit work undertaken in 2016/17, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at both Adur District Council and Worthing Borough Council for the year ended 31 March 2017 accords with proper practice. We did, however note the following significant control issues:
- The continued lack of IT Disaster Recovery Plans (both Councils), although we acknowledge these are being worked on;
 - Further procurement and contract issues, including non-compliance with Council Contract Standing Orders, contract management and information retention (both Councils); and
 - Poor control over the identification, variation, post inspection and approval of works to Void Properties (ADC only).
- 2.16 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 2016/17. The detailed summary of the 2016/17 audits summarised in the HoIA reports is attached as **Appendix 7**.

Fraud

- 2.17 At the Committee's meeting on 22 November 2016 we provided a summary of fraud work conducted within the Councils and undertook to provide an updated summary within our quarterly reports.

2.18 The Councils Corporate Investigations Team, undertake most fraud related work within the Councils. This update provides details of the work completed by the Councils' Corporate Investigations Team since April 2016 and is attached as **Appendix 8**.

2.19 Internal Audit also undertake investigative work as required and co-ordinate the Councils involvement in the Cabinet Office's National Fraud Initiative (NFI). The results of the 2016/17 NFI exercise were published in January and we are currently examining some of these on a sample basis. An update on progress will be provided at a future meeting of the Committee.

3.0 Legal

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

4.0 Financial Implications

4.1 There are no financial implications arising from this report.

5.0 Recommendations

5.1 Members of the Joint Governance Committee are asked to note the contents of this report.

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
IT Resilience (2015/16)	H	Limited (Three Priority One and Six Priority 2 recommendations)	Priority 1 recommendations were made in respect of the Councils having a single point of failure, the lack of alternative data centre or DR site and the need to ensure latest security patches are implemented.
Works to Void Properties (2016/17)	H	No (Seven Priority 1 and Four Priority Two recommendations)	<p>Priority 1 recommendations were made in respect of the lack of: accurate recording of required works; control over and authorisation of additional works and variation to works; documentation and evidence to support post inspections; separation of duties in the ordering, approval and certification of works orders.</p> <p>Contractor staff having access to the HMS system to amend and vary works.</p> <p>No monitoring of cost variations between works ordered and values claimed and no monitoring of contractor performance.</p>
Rent Collection & Collection of Arrears (2016/17)	H	Satisfactory (Two Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised.
Right to Buy (2016/17)	M	Satisfactory (Four Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised.
Capital Accounting (2016/17)	H	Satisfactory (One Priority 3 recommendation)	No P1 recommendations were raised
Debtors (2016/17)	H	Satisfactory (Three Priority 2 recommendations)	No P1 recommendations were raised
Payroll (2016/17)	H	Satisfactory (Eight Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised
Cashiering (2016/17)	H	Satisfactory (Five Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised
Treasury Management (2016/17)	H	Satisfactory (Three Priority 3 recommendations)	No P1 recommendations were raised
Risk Management (2016/17)	H	Satisfactory (Three Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised
Remote Access (2016/17)	H	Satisfactory (Two Priority 2 recommendations)	No P1 recommendations were raised

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
Telecomms (2016/17)	H	Satisfactory (Two Priority 2 recommendations)	No P1 recommendations were raised
Fire Risk Management (2016/17)	H	Satisfactory (Nine Priority 2 and One Priority 3 recommendations)	No P1 recommendations were raised

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[illegible]

Complaints	Dec-14	Limited	2	7	6	86%			1	0	1	0	0	14%	M Lowe	update requested for outstanding rec	
Register of Electors	Jul-15	Satisfactory	5													No follow up required	
Car Parks	Oct-14	Satisfactory	2	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.	
Computer Audits																	
Disaster Recovery	Jul-15	Limited		3					3	3	0	0	0	100%	S Taylor	Updates continue to be provided via Audit App - 3 recs are still being progress, deadlines updated to 31/8/17.	
HMS Application	Sep-15	Satisfactory	2	3	3	100%									P Turner	COMPLETE	
Data Protection & Information Governance	Mar-15	Limited		9	8	89%			1	0	1	0	0	11%	B Bastable	Update requested re the one recommendation still in progress	
Service Desk (ITIL)	Sep-15	Limited	3	2	2	100%										COMPLETE - Updates provided by Audit App confirmed recs are being addressed as part of larger IT projects so are therefore being addressed.	
				206	168	82%	19	9%	19	5	7	1	6	9%			

Follow Up of Recommendations 2015/16 Plan

Appendix 3

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General Ledger	Jun-16	Satisfactory		5	3	60%	2	40%								16/17 annual audit confirmed 3 recs as complete & 2 were reiterated in 16/17 report
Cashiering	Aug-16	Satisfactory		2	1	50%	1	50%								16/17 audit confirms this rec still to be actioned (procedures) has been reiterated in 16/17 report.
Creditors	Jul-16	Satisfactory		2			2	100%								16/17 audit confirmed both recs still O/S and were reiterated in 16/17 report.
Debtors	Apr-16	Satisfactory	1	2	2	100%										COMPLETE
Payroll	Apr-16	Satisfactory		4	2	50%	2	50%								16/17 audit confirms these recs are still to be actioned and have been reiterated in 16/17 report.
Corporate Fraud Management	N/A	No Opinion report														
Treasury Management	May-16	Satisfactory		2	2	100%										COMPLETE
Legal																
Design & Digital																
Freedom of Information	Nov-15	Limited	4	5	5	100%										COMPLETE
Performance Management	Oct-15	Satisfactory	5													Update provided confirmed PM process has totally been revised & recs from this audit are now no longer applicable.
Delivery of Digital Strategy	Feb-17	Satisfactory		2					2	0	2	0	100%	P Brewer		Follow up will occur automatically through Audit App when recommendations become due
Business & Technical Services																
Decent Homes - report from 14/15 fact funding	Mar-16	Nil		28	28	100%										COMPLETE
Computer Audits																
IT Resilience	Apr-17	Limited		9	2	22%			7	2	5	0	78%	S Taylor		Follow up will occur automatically through Audit App when recommendations become due
Public Services Network	Sep-15	Satisfactory		3	3	100%										COMPLETE
Cloud Computing	Oct-16	Satisfactory		7	3	43%			4	0	1	3	57%	B Bastable/ K Rowe		Update from Audit App confirmed 3 complete & 5 still in progress
Google Mail post implementation review	Jan-17	Satisfactory		2					2	0	1	1	100%	B Bastable		update provided via App - no progress yet
				165	114	69%	11	7%	40	4	30	6	24%			

Follow Up of Recommendations 2016/17 Plan

Appendix 4

	Final Report Date	Assurance level	Recs not applicable for follow up	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	1	2	3	Percentage of recs outstanding	Key auditees	Comments	Comments re Outstanding Priority 1 recs
Chief Executive																
Director for Economy																
Culture																
Theatres Catering																
Place & Investment																
Adur Markets	N/A															
Management of the Council's Commercial Property Portfolio	Feb-17	Satisfactory		10					10	1	7	2	100%	L Dine	Request for update to Audit App sent	
Director for Communities																
Housing																
Rent Collection and Collection of Arrears	June	Satisfactory		3	2	67%			1	0	1	0	33%	P Turner	Follow up will occur automatically through Audit App when recommendations become due	
Right to Buy	May	Satisfactory	1	4					4	0	3	1	100%	M Reeve	Follow up will occur automatically through Audit App when recommendations become due	
Sheltered Accommodation Works to Void Properties	June	No		11	1	9%			10	6	4	0				
Wellbeing																
Voluntary & Community - contract procurement	Feb-17	Limited		6					6	2	4	0	100%	R Dennis	Follow up will occur automatically through Audit App when recommendations become due	
ADC Taxi Licensing fact find	N/A															
Leisure																
WBC Leisure Trust - Contract Management																
Director for Customer Services																
Revenues & Benefits																
WBC Revenues (Council Tax & NDR)																
WBC Benefits																
CenSus - NDR																
Waste & Cleansing																
Fleet & Transport Management	Feb-17	Satisfactory		4					4	1	3	0	100%	T Patching	Follow up will occur automatically through Audit App when recommendations become due	
Customer Contact & Engagement																
Disability Awareness																
Building Control & Land Charges																
Local Land Charges	Aug-16	Satisfactory		4					4	0	4	0	100%	S Woodflowers/ G Goacher	Request for update sent	
Director of Digital & Resources																
Finance																
Medium Term Financial Strategy	Nov-16	Full													No recommendations to follow up	
General Ledger	May-17	Satisfactory		1					1	0	0	1	100%	W Baker	Follow up will occur automatically through Audit App when recommendations become due	
Capital Accounting																
Treasury Management	Apr-17	Satisfactory		1					1	0	0	1	100%	P Coppleman	Follow up will occur automatically through Audit App when recommendations become due	
Creditors	Mar-17	Satisfactory		2					2	0	2	0	100%	Y Stillwell	Follow up will occur automatically through Audit App when recommendations become due	
Debtors	Apr-17	Satisfactory	1	2	1	50%			1	0	1	0	50%	Y Stillwell	Follow up will occur automatically through Audit App when recommendations become due	

Payroll	Apr-17	Satisfactory		9				9	0	8	1	100%	G Townsend/ N Hughes/ B Cooke	Follow up will occur automatically through Audit App when recommendations become due
Cashiering	May-17	Satisfactory		6	2	33%		4	0	3	1	67%	A Simmons	Follow up will occur automatically through Audit App when recommendations become due
Invest to Save Schemes	Nov-16	Satisfactory		7				7	0	7	0	100%	E Thomas	Updates provided through Audit App confirm action is being taken and deadlines have been extended.
Legal														
Corporate Governance														
Design & Digital														
Risk Management	May-17	Satisfactory	1	3				3	0	2	1	100%	M Lowe	Follow up will occur automatically through Audit App when recommendations become due
Contract Management audit - Mobile Phones														
Business & Technical Services														
Splashpoint Gym Equipment Fact Finding	N/A	No Opinion work												
Corporate Planned Maintenance Programme														
Final Accounts	Feb-17	Satisfactory		3	1	33%		2	1	1	0	67%		Update provided through Audit App confirmed 1 rec complete - the other 2 are not due until Dec 17.
Computer Audits														
Penetration Testing														
Remote Access protals/VPN	Apr-17	Satisfactory		2				2	0	2	0			Follow up will occur automatically through Audit App when recommendations become due
Telecomm Management	Apr-17	Satisfactory	1	1	1	100%								COMPLETE
Cross Service Audits														
Fire Risk Management	Jun-17	Satisfactory		10	4	40%		6	0	5	1			Follow up will occur automatically through Audit App when recommendations become due
Property Management														
Welfare Reform - Support to claimants														
				89	12	13%	0	0%	77	11	57	9	87%	



Adur District Council
Internal Audit Annual Report 2016/17

June 2017

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.

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Status of our reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Limited at the request of Adur District and Worthing Borough Councils and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Adur District and Worthing Borough Councils and to the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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 2016/17 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 2016/17 included a total of 38 internal audit projects when it was approved by the Joint Governance Committee in March 2016. 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 2016/17 is 33 compared to 41 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2016/17.

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. The PSIAS require periodic self-assessment and an assessment by an external person every five years. Our self-assessment with the PSIAS is partly complete and during the year Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment.

The review was conducted in October and November 2016 and our work at Adur District Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:-

"From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the public sector internal audit standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made".

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 2016/17.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2016/17, 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 2017/18.

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 2016/17 year, some 23 (82.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 27 (75%) in the prior year. One 'Full assurance' opinion was issued in 2016/17 compared to None in 2015/16.

We have issued one 'No assurance' opinion in 2016/17, compared to None in 2015/16. We issued three reports (10.7%) with 'limited assurance' opinions compared with eight (22.2%) in the previous year.

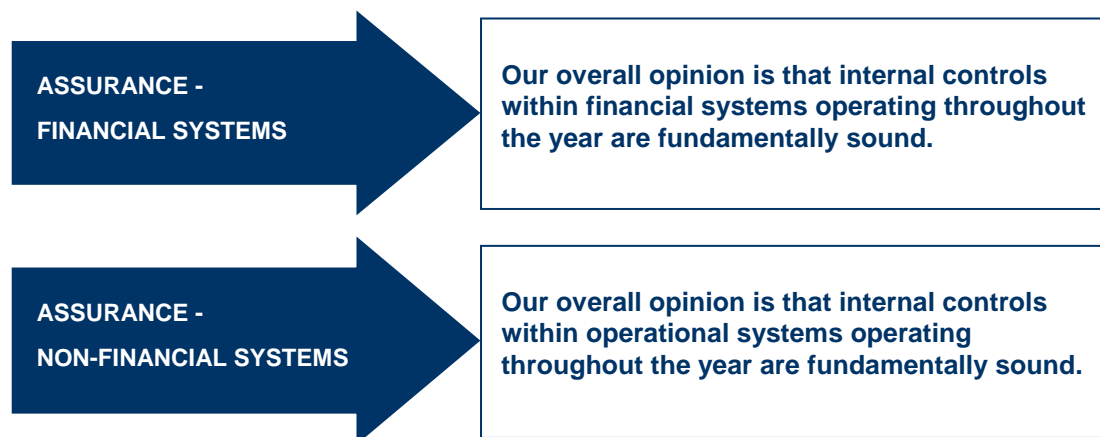
Assurance Gradings	Number of Projects									
	2016/17		2015/16		2014/15		2013/14		2012/13	
Full	1	3.6%	0	0%	1	2.2%	0	0%	2	5.3%
Satisfactory	23	82.1%	27*	75%	31	67.4%	29	76.3%	29	76.3%
Limited	3	10.7	8*	22.2%	14	30.4%	9	23.7%	7	18.4%
No	1	3.6%	1	2.8%	0	0%	0	0%	0	0%
Sub-Total	28		36		46		38		38	
No Opinion Audits	3		5		5		3		4	
Total Audits Delivered	31		41		51		41		42	
Audits still in progress / Deferred	2									
Total	33		41		51		41		42	

* Revised from 2015/16 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2015/16 report was produced.

A summary of key findings for all 2016/17 Internal Audit projects rated as No/Limited is included at Appendix 1.

Opinion 2016/17

From the Internal Audit work undertaken in compliance with the PSIAS in 2016/17, 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 2017 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 2016/17.

As in 2015/16, 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 2015/16, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they "Did not identify any areas of concern", 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 2015/16, in which Ernst & Young concluded on the Council's arrangements for securing economy, efficiency and effectiveness that the Council had "put in place proper arrangements to secure value for money in the use of its 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 2016/17 or from those 2015/16 audits completed since our 2015/16 report was produced.

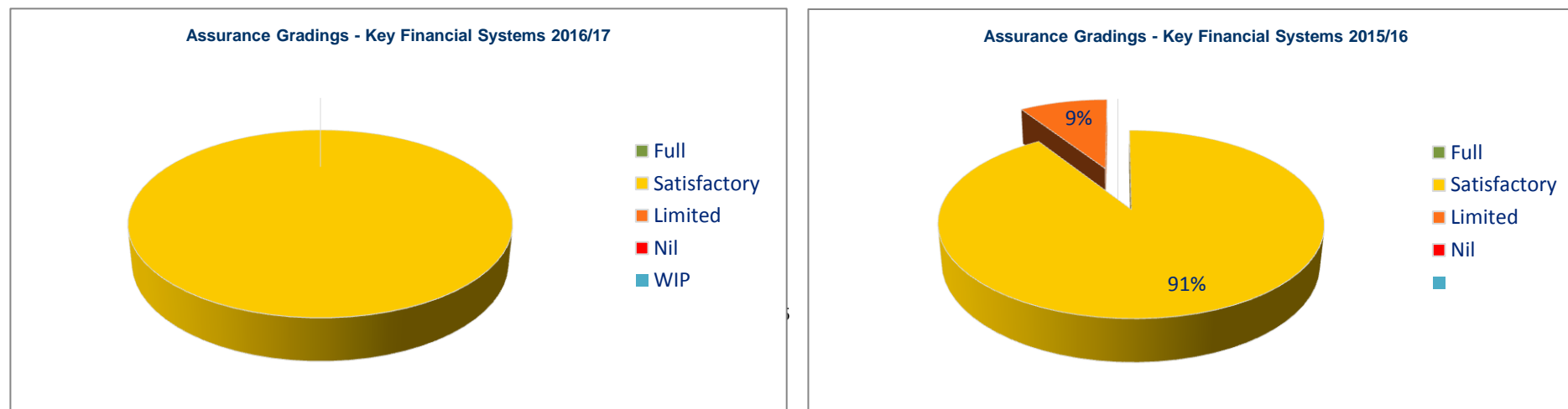
We still note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

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 during 2016/17 is Satisfactory with all 10 areas examined achieving Satisfactory assurance.

One audit area, Fixed Assets, was not examined during 2016/17. This area has been assigned Limited Assurance in consecutive previous year audits and following a change in management, it was decided, in conjunction with the Council's Section 151 Officer, that management be given time to take on recommendations previously made and to implement the necessary controls before it was audited again. Fixed Assets will be audited as part of the 2017/18 plan.

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 NDR resulted in a satisfactory assurance grading. A copy of the final report in respect of CenSus Benefits has been provided to us from Horsham District Council's Internal Auditors and this was given a Limited assurance rating. We have also received the final report on CenSus Council Tax from Crawley Borough Council's Internal Auditors acting on behalf of Mid Sussex District Council, this audit was given a Substantial grading equivalent to our satisfactory rating.

The key issues raised in the Benefits report relate to a number of assessment errors identified during testing, particularly relating to the calculation of income and the classification of overpayments which results in the risk of incorrect benefit awards being paid. Quality Assurance checking was restricted to new assessors in training for some periods as a result of which no checks were carried out on the rest of the assessment team.

Other key themes arising from our audit work on the key financial systems continue to be 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.

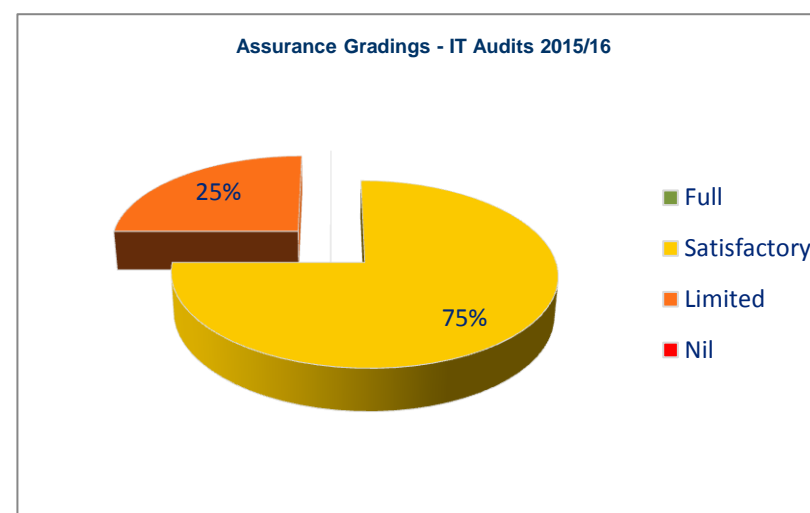
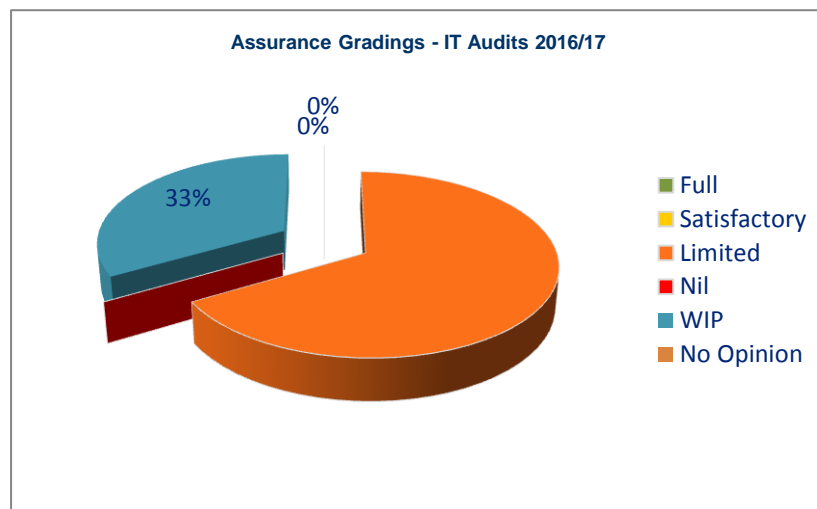
We have also noted the external auditor's Annual Audit Letter 2015/16, in which Ernst & Young state "We obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our work is not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We brought to your attention in our Audit Results Report that there were:

- significant delays in the completion of the year-end bank reconciliation; and
- there was no reconciliation between the Orchard housing system for properties eligible for Rent Rebates and the General Ledger.

In order to operate effectively, controls such as bank reconciliations must be completed properly and on a timely basis to obtain a good level of assurance and decrease the likelihood of material misstatement within the 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 2016/7 show that 67% (2 out of 3) audits were graded as Limited assurance and one audit is still to be completed (the grading from this audit will be taken into account in the Head of Internal Audit Opinion for 2017/18). The performance of 2015/16 was 75% Satisfactory assurance (3 out of 4) and 25% Limited assurance (1 out of 4). In both 2016/17 and 2015/16 there was one piece of work where no assurance opinion was given.

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.
- Poor control over the identification, variation, post inspection and approval of works to Void Properties.

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%	95.6%
Percentage of draft audit reports/work items complete	33	29*

** Two of the work items where no audit opinion is given are still under review and there are two not yet to be started. These four items of audit work 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 2017/18.

Appendix 1 - Audit Projects with Limited or No Assurance 2016/17

Project	Grading	Summary of Key Findings
Works to Void Properties	No	<p>Priority 1 recommendations were made in relation to:</p> <ul style="list-style-type: none"> • The lack of accurate recording of required works; • The lack of control over and authorisation of additional works and variation to works; • The lack of documentation and evidence to support post inspections; • The lack of separation of duties in the ordering, approval and certification of works orders. • Contractor staff having access to the HMS system to amend and vary works; • No monitoring of cost variations between works ordered and values claimed; and • No monitoring of contractor performance.
Voluntary & Community Contract Procurement	Limited	Two Priority 1 recommendations were made in respect of the lack of a robust outline business case for the procurement and the need to ensure that comments, notes or scoring are based on the advertised award criteria.
Corporate Planned Maintenance Programme (Draft)	Limited	Two Priority 1 recommendations were made in respect of aggregating the spend on similar works in order that value for money can be achieved through contract procurement and the lack of evidence that the Head of Service had reviewed and accepted a tender evaluation for contract award of one of the sample contracts examined.
Contract Management – Mobile Telephones (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • The lack of evidence to support that pre-tender estimates had been prepared against which budgets could be set, bid evaluation and authorisation routes could be decided; • The lack of evidence to support that the Council had identified the business needs for the service and established evaluation criteria prior to tender and that the supplier's proposal was formally assessed against these to ensure that value for money would be achieved. • The lack of evidence to support the supplier's bid, nor a tender evaluation in respect of it recording the prices submitted and a 'Recommendation to Award' Report not being produced that calculated a projected annual value or contract life value. • No indicators of satisfactory service delivery being in place to inform what should be recorded, nor recording of what is happening, and no performance monitoring/

Project	Grading	Summary of Key Findings
		<p>adjustment of sums due for poor performance.</p> <ul style="list-style-type: none">• Monthly budget monitoring reports being reviewed by senior management and signed off to evidence this review.

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.

Appendix 3 - Statement of Responsibility

We take responsibility to Adur District & Worthing Borough Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

This report is confidential and 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 Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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 2016/17

June 2017

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.

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Status of our reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Limited at the request of Adur District and Worthing Borough Councils and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Adur District and Worthing Borough Councils and to the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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 2016/17 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 2016/17 included a total of 38 internal audit projects when it was approved by the Joint Governance Committee in March 2016. 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 for Worthing in 2016/17 was 31 compared to 39 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2016/17.

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. The PSIAS require periodic self-assessment and an assessment by an external person every five years. Our self-assessment with the PSIAS is partly complete and during the year Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment.

The review was conducted in October and November 2016 and our work at Worthing Borough Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:-

"From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the public sector internal audit standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made".

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 2016/17.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2016/17, 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 2017/18.

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 2016/17 year, some 22 (81.5%) of internal audit projects were rated 'Satisfactory assurance' compared with 27 (79.4%) in the prior year. One 'Full assurance' opinion was issued in 2016/17 compared to none in 2015/16.

We are pleased to report that we have not issued any 'Nil assurance' opinions in 2016/17. We issued four (14.8%) reports with 'limited assurance' opinions compared with seven (20.6%) in the previous year.

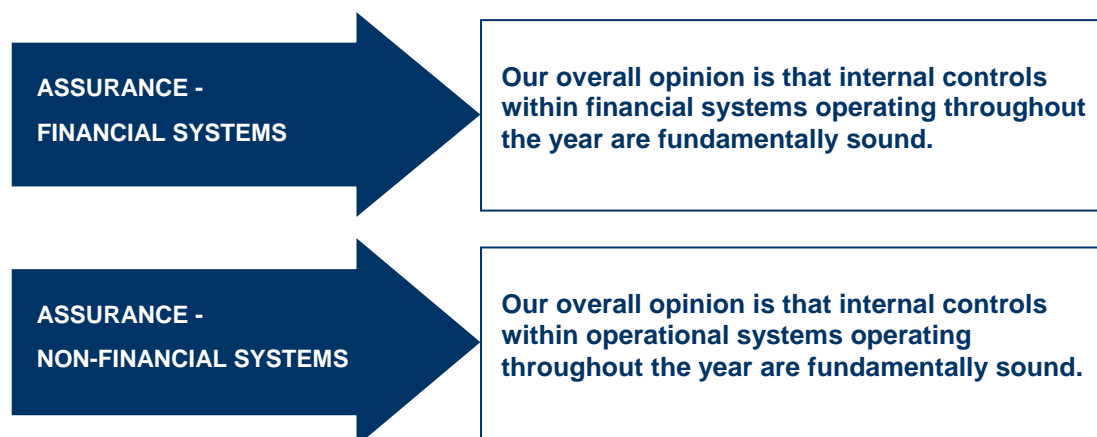
Assurance Gradings	Number of Projects									
	2016/17		2015/16		2014/15		2013/14		2012/13	
Full	1	3.7%	0	%	1	2.3%	0	0%	1	2.5%
Satisfactory	22	81.5%	27*	79.4%	29	65.9%	28	71.8%	27	67.5%
Limited	4	14.8%	7*	20.6%	14	31.8%	11	28.2%	11	27.5%
No	0	0%	0	0%	0	0%	0	0%	1	2.5%
Sub-Total	27		34		44		39		40	
No Opinion Audits	2		5		4		5		4	
Total Audits Delivered	29		39		48		44		43	
Audits still in progress / Deferred	2									
Total	31		39		48		44		43	

* Revised from 2015/16 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2015/16 report was produced

A summary of key findings for all 2016/17 Internal Audit projects rated as Limited is included at Appendix 1.

Opinion 2016/17

From the Internal Audit work undertaken in compliance with the PSIAS in 2016/17, 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 2017 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 2016/17.

As in 2015/16, 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 2015/16, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they "Did not identify any areas of concern", and
- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

Risk Management

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 2015/16, in which Ernst & Young concluded on the Council's arrangements for securing economy, efficiency and effectiveness that the Council had "put in place proper arrangements to secure value for money in the use of its resources".
- 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 2016/17 or from the 2015/16 audits completed since our 2015/16 report was produced.

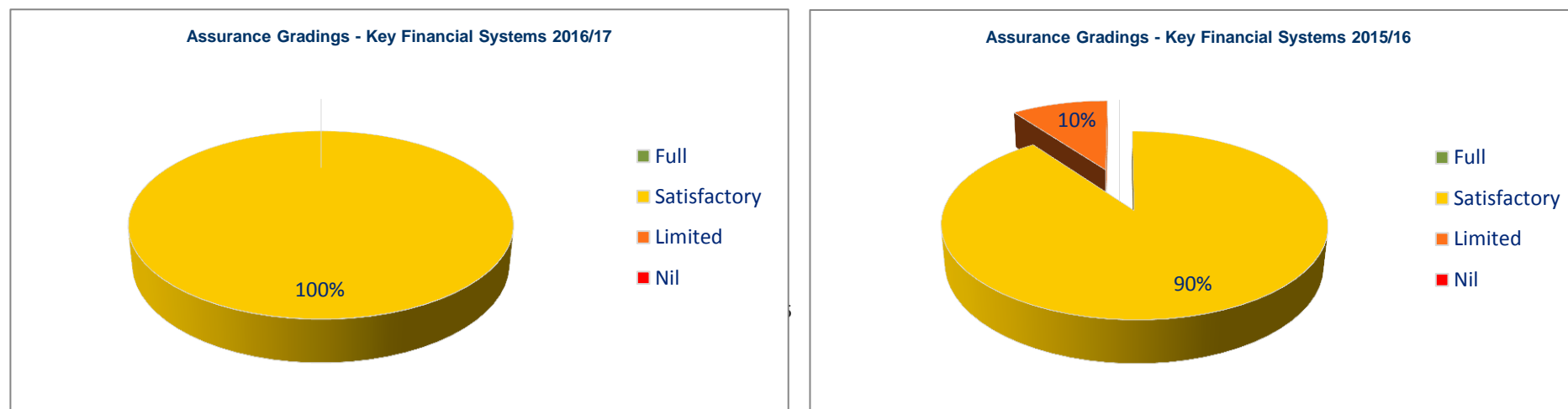
We still note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

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 during 2016/17 is Satisfactory with all 9 areas examined achieving Satisfactory assurance.

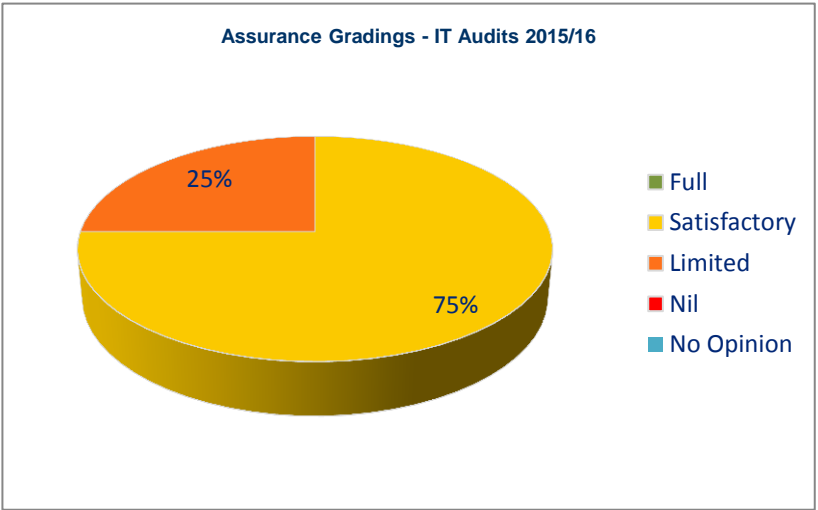
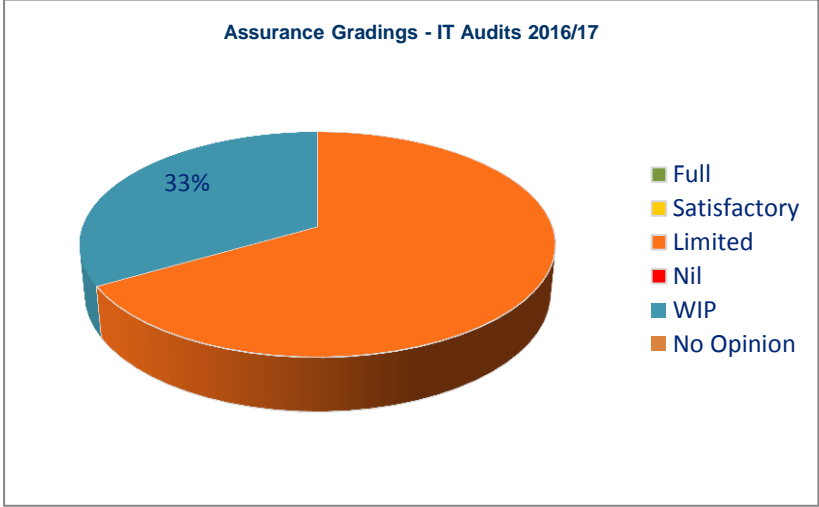
One audit area, Fixed Assets, was not examined during 2016/17. This area has been assigned Limited Assurance in consecutive previous year audits and following a change in management, it was decided, in conjunction with the Council’s Section 151 Officer, that management be given time to take on recommendations previously made and to implement the necessary controls before it was audited again. Fixed Assets will therefore be audited as part of the 2017/18 plan.

Other key themes arising from our audit work on the key financial systems continue to be 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 2015/16, in which Ernst & Young state “We obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our work is not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We brought to your attention in our Audit Results Report that there were significant delays in the completion of the year-end bank reconciliation. In order to operate effectively, controls such as bank reconciliations must be completed properly and on a timely basis to obtain a good level of assurance and decrease the likelihood of material misstatement within the 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 2016/7 show that 67% (2 out of 3) audits were graded as Limited assurance and one audit is still to be completed (the grading from this audit will be taken into account in the Head of Internal Audit Opinion for 2017/18). The performance of 2015/16 was 75% Satisfactory assurance (3 out of 4) and 25% Limited assurance (1 out of 4). In both 2016/17 and 2015/16 there was one piece of work where no assurance opinion was given.

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%	95.6%
Percentage of draft audit reports issued	31	29**

** The 2 audits not completed are yet to be started 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 2017/18.

Appendix 1 - Audit Projects with Limited Assurance 2016/17

Project	Grading	Summary of Key Findings
Voluntary & Community Contract Procurement	Limited	Two Priority 1 recommendations were made in respect of the lack of a robust outline business case for the procurement and the need to ensure that comments, notes or scoring are based on the advertised award criteria.
Theatres Catering (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • Providing detailed explanations for variances (unders or overs) between the expected takings figure (till Z read) and the amount being banked where the variance is over £5. • Obtaining supervisor sign off for transactions voided through the tills. • The lack of detailed monthly stocktakes
Corporate Planned Maintenance Programme (Draft)	Limited	Two Priority 1 recommendations were made in respect of aggregating the spend on similar works in order that value for money can be achieved through contract procurement and the lack of evidence that the Head of Service had reviewed and accepted a tender evaluation for contract award of one of the sample contracts examined.
Contract Management – Mobile Telephones (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> • The lack of evidence to support that pre-tender estimates had been prepared against which budgets could be set, bid evaluation and authorisation routes could be decided • The lack of evidence to support that the Council had identified the business needs for the service and established evaluation criteria prior to tender and that the supplier's proposal was formally assessed against these to ensure that value for money would be achieved. • The lack of evidence to support the supplier's bid, nor a tender evaluation in respect of it recording the prices submitted and a 'Recommendation to Award' Report not being produced that calculated a projected annual value or contract life value. • No indicators of satisfactory service delivery being in place to inform what should be recorded, nor recording of what is happening, and no performance monitoring/adjustment of sums due for poor performance. • Monthly budget monitoring reports being reviewed by senior management and signed off to evidence this review.

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.
No	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.

Appendix 3 - Statement of Responsibility

We take responsibility to Adur District & Worthing Borough Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

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	Project	Joint	ADC only	WBC only	Field Work complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
1	Local Land Charges	*			Y	Y	Y	Satisfactory	Satisfactory
1	Fleet and Transport Management	*			Y	Y	Y	Satisfactory	No previous audit
1	Fire Risk Management	*			Y	Y	Y	Satisfactory	No previous audit
1	Invest to Save Schemes	*			Y	Y	Y	Satisfactory	No previous audit
1	Management of the Council's Commercial Property Portfolio	*			Y	Y	Y	Satisfactory	Satisfactory
1	Disability Awareness	*			Y	Y			
2	Medium Term Financial Strategy	*			Y	Y	Y	Full	Satisfactory
2	Splashpoint Gym Equipment Fact Find			*	Y	Y	N/A	No opinion given	N/A
2	Voluntary and Community - Contract Procurement	*			Y	Y	Y	Limited	No previous audit
2	Corporate Governance	*			Y	Y			
2	Disaster Recovery (Extended Follow up)	*			Y	N/A	N/A	No opinion given	N/A
2	Corporate Planned Maintenance Programme	*			Y	Y	UR		
2	Contract Management Audit - Mobile Phones	*			Y	Y	UR		
2	Final Accounts	*			Y	Y	Y	Satisfactory	No previous audit
3	Right to Buy		*		Y	Y	Y	Satisfactory	Full
3	Creditors	*			Y	Y	Y	Satisfactory	Satisfactory
3	Debtors	*			Y	Y	Y	Satisfactory	Satisfactory
3	Census NDR		*		Y	Y			
3	Rent Collection and Collection of Arrears		*		Y	Y	Y	Satisfactory	Satisfactory
3	Works to Void Properties		*		Y	Y	Y	No	No previous comparable audit
3	WBC Revenues (Council Tax and NDR)			*	Y	Y			
3	WBC Benefits			*	Y	Y			
3	Markets		*		Y	UR		No Opinion work	
3	General Ledger	*			Y	Y			
4	Theatres Catering			*	Y	Y			
4	WBC Leisure Trust - Contract Management			*	Y	Y			
4	Sheltered Accommodation		*		Y	Y			
4	Capital Accounting	*			Y	Y	Y	Satisfactory	Satisfactory
4	Treasury Management	*			Y	Y	Y	Satisfactory	Satisfactory
4	Payroll	*			Y	Y	Y	Satisfactory	Satisfactory
4	Cashiering	*			Y	Y	Y	Satisfactory	Satisfactory
4	Risk Management	*			Y	Y	Y	Satisfactory	Satisfactory
4	Remote Access Protocols/VPN	*			Y	Y	Y	Satisfactory	Satisfactory
4	ADC Taxi Licensing Fact Find		*		Y	UR	N/A	No opinion work	N/A
4	Property Management	*			Y	Y			
4	Telephony	*			Y	Y	Y	Satisfactory	No previous audit
4	Penetration testing	*			N/A				Postponed to 17/18
4	Welfare Reform - support to claimants	*			P				

KEY

P In Planning stage
WIP Work In Progress
UR Under review

Corporate Investigations Team – Fraud update

Type of fraud	Investigation	Result	Recovery/Saving £
Worthing BC – Council Tax – Single Person Discount (SPD)	11,923 Review forms were issued.	An average of 80% of the review forms were returned. Those who did not reply were automatically cancelled (exceptions being those who on checking would appear to be elderly or needing assistance). A total of £696,600.34 was raised from cancellations, compiling of those persons who did not reply, or those persons who took the opportunity to inform Worthing Council that other occupants had moved in to their property. SPD totalling £266,792.45 was subsequently reinstated upon later contact from residents.	429,807
		Further investigations conducted into those persons who did not return their SPD review forms, or those persons, who data matching by the team, showed discrepancies in persons present in the households.	35,952
Right to Buy (RTB)		5 RTBs were declined (average discount is £80k)	400,000
Homeless Assistance		7 applications for homeless assistance were declined (average cost is £54k).	378,000
Tenancy Frauds		2 Tenancy Frauds	104,000

Other Information

The Corporate Investigations Team (CIT) are continuing to investigate cases arising from the SPD Review project, and are now concentrating upon Tenancy Fraud, with a proactive exercise on tenants who have not requested or had any repair work conducted upon their Adur Homes properties.

The CIT assist the Housing Department with enquiries, financial background checks and address histories on a daily basis, check all Right to Buy applications received, assist in debt recovery by tracing absconders and investigate any Tenancy Fraud referrals from either staff or members of the public.

In the coming year they will be reviewing the Housing Register Waiting List again, having last conducted a review in 2014/15, removing 885 persons from a list of 2762, who no longer required or were no longer eligible for assistance. They also plan to check all application for succession claims on Adur Homes properties.

The CIT will be covering Council Tax and Tenancy Fraud investigations for both the Worthing and Adur areas as from October 2017.

Recent Court Cases

In December 2016, an Adur Homes tenant was prosecuted under the Prevention of Housing Fraud Act 2013, after it was found that he had been living with his wife in a Brighton & Hove City Council Property since 2002, and had made false statements to obtain a social housing property from Adur Homes.

The CIT has a current case going through the court system for a gentleman in receipt of Council Tax Benefit who failed to declare his correct income to Worthing Council. The gentleman stated that he was in receipt of nil income from self-employment valeting cars. During the course of the investigation it was discovered that a total of £649,180.49 had been deposited into the gentleman's bank account during the period 20th April 2013 to 17th June 2016, from the sale of motor vehicles. The gentleman concerned is charged with six offences under the Fraud Act 2006.