

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.

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 - 2017/18

2.2 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.

2.3 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)	3	82	16.05%
Quarter 2 (July – September)	10	139.5	27.3 %
Quarter 3 (October – December)	10	164.5	32.2%
Quarter 4 (January – March)	11	125	24.45%
	34	511	100%

2.4 As at 31st August, 180.5 days (35.3%) of the planned days had been delivered. Attached as **Appendix 1** is a summary of the current status of audits in the plan.

Final Audit Reports

- 2.5 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.

- 2.6 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.

- 2.7 The report attached as **Appendix 2** provides a summary of key issues raised in all final reports issued since our last report to this Committee. Since the previous Committee, nine reports have been finalised; eight of these one were Satisfactory assurance, the other report was a fact finding audit for which no opinion was given. Four P1 recommendations were raised within the eight reports.

Follow up of Audit Recommendations

- 2.8 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.
- 2.9 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.

2.10 The Audit App continues to be 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	32	86.5%	1	2.7%	4	10.8%	0	0%	13.5%	0	37
P2	131	110	84%	15	11.4%	6	4.6%	0	0%	16%	0	131
P3	31	27	87.1%	3	9.7%	1	3.2%	0	0%	12.9%	0	31
Other	2	1	50%	0	0%	1	50%	0	0%	50%	0	2
Total	201	170	84.6%	19	9.4%	12	6%	0	0%	18.4%	0	201

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	92	64	69.6%	8	8.7%	11	11.9%	9	9.8%	30.4%	7	99
P3	20	13	65%	3	15%	4	20%	0	0%	35%	0	20
Total	153	118	77.1%	11	7.2%	15	9.8%	9	5.9%	22.9%	11	164

Analysis of status of recommendations 2016/17

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	7	6	85.7%	0	0%	1	14.3%	0	0%	14.3%	8	15
P2	58	25	43.1%	0	0%	14	24.1%	19	32.8%	56.9%	32	90
P3	9	3	33.3%	0	0%	1	11.1%	5	55.6%	66.7%	3	12
Total	74	34	45.95%	0	0%	16	21.6%	24	32.45%	54.1%	43	117

- 2.11 Attached as **Appendices 3, 4 & 5**, 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.

Fraud

- 2.12 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.
- 2.13 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 2017 and is attached as **Appendix 6**.
- 2.14 Internal Audit also undertake investigative work as required and co-ordinate the Councils involvement in the Cabinet Office's National Fraud Initiative (NFI). The matches from 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
ADC Taxi Licensing Fact Find		<p>No opinion given 25 recommendations raised</p>	<p>Priorities were not assigned to the recommendations raised from this audit work. An Action Plan has been created and is being populated by management to ensure that the issues raised are monitored and addressed. The key issues raised relate to:</p> <p>The draft Hackney Carriage & Private Hire Licensing Handbook not including all relevant policies and procedures and not being fully reviewed by the Council's Legal Services team.</p> <p>The consultation process for the production of the draft Handbook not requesting representations from organisations outside the taxi trade.</p> <p>DBS disclosure certificates and the process for renewing DBS checks.</p> <p>Use of the DVLA's on-line facility for viewing driving licence details.</p> <p>Management not receiving regular performance information.</p> <p>The new hackney carriage tariff advertised in November 2016 not being checked for accuracy before it was presented to the Licensing Committee.</p> <p>Taxi driver notification of tariff changes and arrangements for updating taxi meters.</p> <p>Complaints about the Taxi Licensing service.</p>
South Downs Leisure Trust – Contract Management (2016/17)	H	<p>Satisfactory (One Priority 1 and Five Priority 2 recommendations)</p>	<p>A Priority 1 recommendation was made in respect of ensuring that the Trust provide Quarterly financial and operational performance reports, and that the Trust Risk Reserve and Improvement Reserve is monitored and surpluses transferred as specified by the Funding Management Agreement.</p>
Sheltered Accommodation (2016/17)	M	<p>Satisfactory (One Priority 1 and Four Priority Two recommendations)</p>	<p>The Priority 1 recommendation made was in respect of the out of date contract arrangements for the maintenance and breakdown call out services for door entry systems and community alarm systems.</p>
WBC Revenues (2016/17)	H	<p>Satisfactory (Five Priority 2 recommendations)</p>	<p>No P1 recommendations raised</p>
WBC Benefits (2016/17)	H	<p>Satisfactory (Two Priority 2 recommendations)</p>	<p>No P1 recommendations raised</p>
CenSus NDR (2016/17)	H	<p>Satisfactory (Two Priority 2 and One Priority 3 recommendation)</p>	<p>No P1 recommendations raised</p>

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
General Ledger (2016/17)	H	Satisfactory (Five Priority 2 and One Priority 3 recommendations)	No P1 recommendations raised
Corporate Governance (2016/17)	H	Satisfactory (One Priority 1, Three Priority 2 and One Priority 3 recommendations)	The Priority 1 recommendation made was in respect of annual Assurance statements not being received/required from senior management.
Corporate Planned Maintenance Programme (2016/17)	H	Satisfactory (One Priority 1 and One Priority 2 recommendations)	A Priority 1 recommendation was made to ensure that dis-aggregation of spend for low value works of a similar nature does not occur therefore negating to need to comply with Contract Standing Order quotation and tendering requirements.

	Project	Joint	ADC only	WBC only	Field Work complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
1	Leaseholder Charges		*		Y	UR			
1	Gas Safety Inspections		*		Y	UR			
1	Housing Repairs		*		Y	UR			
2	Firewall & Cyber Security	*			Y	Y			
2	Compliance with the Data Protection Act	*			WIP				
2	Fixed Assets	*			WIP				
2	Contract Management audit - Voluntary & Community contract	*			WIP				
2	Corporate Governance	*			WIP				
2	Handyman Service	*			WIP				
2	Homelessness	*			WIP				
2	Budget Management	*			WIP				
2	Human Resources	*			WIP				
2	Debt Management	*			P				
3	Rent Collection and Collection of Arrears		*						
3	Revenues (Council Tax & NDR)	*							
3	Benefits	*							
3	General Ledger	*							
3	Creditors	*							
3	Debtors	*							
3	Compliance with Public Contacts Regulations 2015	*							
3	ICT Management & Strategy	*							
3	Thematic review of password security of all key systems	*							
3	Web Security	*							
4	Theatres Box Office			*					
4	Estates	*							
4	Capital Accounting	*							
4	Treasury Management	*							
4	Payroll	*							
4	Cashiering	*							
4	Risk Management	*							
4	Change Management	*							
4	Tax Risk assessments (VAT & employee taxes)	*							
4	Local Plans for new homes	*							
4	Mobile Devices	*							

KEY

P In Planning stage

WIP Work In Progress

UR Under review

Audit	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into	% of recs carried over	Number of recs outstanding	% of recs outstanding	Key auditees	Comments	Comments re Outstanding Priority 1 recs
Director of Digital & Resources														
Finance														
Annual Governance Statements	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				No Follow up required	
Budgetary Control	*	Dec-14	Satisfactory		1	1	100%						COMPLETE	
General Ledger	*	Mar-15	Satisfactory		3			3	100%				All recommendations made in 2014/15 have been reiterated in 15/16 audit so none had been implemented	
Cashiering	*	May-15	Satisfactory		4	3	75%	1	25%				15/16 audit has confirmed 3 recommendations from 2014/15 audit have been completed - one (re procedures) is being reiterated in 15/16 report.	
Creditors	*	Apr-15	Satisfactory		2	1	50%	1	50%				15/16 audit confirmed P1 recommendation has been completed - one (re duplicate payment reports) is being reiterated in 15/16 report.	
Debtors	*	Feb-15	Satisfactory		2	2	100%						COMPLETE	
Insurance	*	Oct-14	Satisfactory		2	2	100%						COMPLETE	
Payroll	*	Sep-15	Satisfactory	3	5	2	40%	3	60%				15/16 audit has confirmed 2 recommendations from 2014/15 audit have been completed - 3 are being reiterated in 15/16 report.	
Treasury Management	*	May-15	Satisfactory		2	2	100%						COMPLETE	
Petty Cash	*	Jan-15	Satisfactory		2	1	50%			1	50%	A Simmons	Update requested 7/3	
Staff Loans	*	Jan-15	Satisfactory		3	3	100%						COMPLETE	
Probity audits - inventories	*	Aug-15	N/A	5	1					1	100%	S Taylor	Issues raised relate to financial regulation requirements which are no longer applicable - Chief Financial Officer to review and update Financial Regs. 1 o/s rec relates to ICT inventory and this is being addressed	
Probity - cash floats	*	Oct-14	N/A		1	1	100%						COMPLETE	
Business Rates - Forecasting & Income Projection	*	Feb-15	Satisfactory		1	1	100%						COMPLETE	
Pension Scheme- local administration	*	Oct-14	Full		0								No Follow up required	
Legal Services														
Corporate Governance	*	May-15	Satisfactory		6	6	100%						COMPLETE	
Business & Technical Services														
Facilities Management & Security	*	May-15	Satisfactory		15	11	73%			4	27%	M Hosier/ L Harris	1 rec confirmed as complete - update requested regarding 4 still to be completed	
Health & Safety	*	Sep-15	Limited	3	7	7	100%						COMPLETE	
Pool Car Pilot	*	May-15	Satisfactory		5	5	100%						COMPLETE	
Term Maintenance Contract Management - Keith Long Electrical	*	Mar-16	Limited		8	7	88%			1	13%	S Spinner	update requested 11/9 regarding outstanding agreed actions	O/S P1 rec relates to loss of order details within the Recorder system
Construction Contract - MTC Adaptations														
Land Drainage	*	Jul-15	Satisfactory		5	4	80%	1	20%				80% complete - no further follow up - one P2 rec had not been addressed	

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	100%	S Taylor	Updates continue to be provided via Audit App and reports to JGC - 3 recs are still being progress, deadlines updated	
HMS Application	*	Sep-15	Satisfactory	2	3	3	100%					P Turner	COMPLETE	
Data Protection & Information Governance	*	Mar-15	Limited		9	8	89%			1	11%	B Bastable	Update provided via App confirmed one recommendation still in progress - deadline revised to 31/10/17	
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.	
				201	170	85%	19	9%	12	6%				

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			request for update sent re one due recommendation
Business & Technical Services																	
Decent Homes - report from 14/15 fact funding	ADC	Mar-16	Nil		28	28	100%										COMPLETE
Computer Audits																	
IT Resilience	*	Apr-17	Limited	1	8	2	25%			6	2	4	0	75%	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
					164	118	72%	11	7%	35	4	27	4	21%			

Corporate Investigations Team – Fraud update (statistical information from 1 April 2017 to 12 September 2017)

Type of fraud	Investigation	Result	Recovery/Saving £
Council Tax – Single Person Discount (SPD)	Single Person Discount review	Reclaimed from investigations into Single Person Discounts.	30,605
Right to Buy (RTB)	Assisted Adur Homes	1 RTB was declined (average discount is £80k)	80,000
Homeless Assistance	Assisted Housing	2 applications for homeless assistance were declined (average cost is £54k).	108,000
Total Recovery/Saving			218,605

Other Information

The Corporate Investigations Team (CIT) is currently concentrating on conducting a tenancy audit of all Adur Homes properties (totalling 3115). From initial enquiries and data matching, since August 2017 to date, 157 properties have already been identified as needing further investigation. The Audit Commission estimates that approximately 2% of social housing stock outside of London is being illegally sublet. The estimated cost of illegal subletting to Local Authorities is estimated in the region of £845m per annum.

An advertising campaign, to encourage the reporting of tenancy fraud in Adur, is currently in the planning stages.

The team has also assisted Adur Homes in successfully tracing 77 long term debtors (*exact figures of monies recovered from the CIT's assistance are to be provided by Adur Homes*).

The CIT currently have two cases of significant interest reaching their conclusion, a Right to Buy application, where the tenant has not lived in the property since 2014, and a Sub-Let, where the tenant has been residing in Wales for two years, renting out the Adur Homes property to tenants. Both cases are envisaged to go for prosecution.

As from October 2017, The Corporate Investigations Team will have the additional remit to investigate Council Tax and Single Person Discount Fraud in the Adur Area. As well as providing information to the DWP for their investigations into Housing Benefit Fraud in the Worthing area, the Corporate Investigation Team will also, as from October, have to provide information to the DWP for all of the Adur area.