

Subject:	Internal Audit Strategy and Annual Plan for 2014/15		
Date of Meeting:	25 March 2014		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Acting Head of Internal Audit	Tel: 29-1314
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The report and attached Internal Audit Strategy and Annual Plan details the objectives and priorities of Internal Audit for the 2014/15 financial year. It also summarises the priorities and resources of the Corporate Fraud Team who work closely with Internal Audit.
- 1.2 The strategy and plan provides a key mechanism for giving assurance that the Council's internal control, risk management and governance arrangements are effective.

2. RECOMMENDATIONS:

- 2.1 The Committee is recommended to approve the Internal Audit Strategy and Annual Plan for 2014/15.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice for the 2014/15 financial year is the Public Sector Internal Audit Standards. This document is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors.
- 3.2 The plan is risk-based and provides a schedule of work to obtain assurance on the Council's control environment.
- 3.3 The Internal Audit Strategy and Annual Plan 2014/15 is attached as Appendix 1. The strategy sets out the framework, key considerations and overall approach to our work. The plan details the resources and specific work for the coming year.
- 3.4 Included within the plan is a summary of the Corporate Fraud Team's priorities and resources for 2014/15. The resources available within this team are currently

composed of officers whose historical role has been mainly the investigation of housing benefit and council tax related fraud.

4. Development of the Audit Plan and Resources

- 4.1 The audit plan has been compiled by the Acting Head of Internal Audit in conjunction with the Executive Director of Finance and Resources and other members of the Executive Leadership Team (ELT). In addition there has been significant consultation with other senior managers across the organisation.
- 4.2 For 2014/15 the plan includes 1,515 days of audit work and 100 separate audit reviews.

5. Service Development Priorities for 2014/15

5.1 Internal Audit service development priorities within the plan for 2014/15 are to:-

- Continue to improve our arrangements for the follow-up of recommendations and the escalation of those where appropriate action has not been taken.
- To work with the Corporate Fraud Team to promote an anti-fraud culture and to detect and investigate allegations of potential fraud.
- Encourage the raising of legitimate concerns through the Whistleblowing Policy and the Fraud Hotline.
- Contribute to the improvement of the Council's Corporate Governance arrangements.
- Increase the number of individual schools audits and the resources set aside for these review.
- Follow-up on the control weaknesses identified in the ICT Limited Assurance reviews undertaken during 2013/14.
- Support key funding and service changes in Adult Social Care in relation to the Care Bill and Better Care Fund.
- Support the Council's Value for Money Programme and seek assurance that projects and programmes are on track to deliver.
- Ensure the service complies fully with the Public Sector Internal Audit Standards.

5.2 The Corporate Fraud Team's service development priorities are to:

- Develop fraud awareness throughout the Council through training and other initiatives.
- Investigate allegations of other corporate fraud including (but not limited to) Procurement, Payroll, Blue Badges, Parking Permits, Grants, Schools.
- Revise, draft and communicate corporate policies including the Counter Fraud Strategy.
- Carry out proactive work using data analytics to identify transactions indicating high fraud risk.

6. Implications of Single Fraud Investigation Service (SFIS)

- 6.1 The Department of Works and Pensions (DWP) are currently leading a project that will mean that the investigation of housing benefit and residual council tax benefit fraud will become the responsibility of the DWP within SFIS.
- 6.2 The Council is in the process of being updated on the timetabling of these proposals and the implications for the Corporate Fraud Team and individual officers. The timetabling of the establishment of the SFIS service as it impacts on this Council is not yet confirmed. At present we understand staff transfer could occur any time between Autumn 2014 and March 2016.
- 6.3 A potential consequence of the transfer is that the staff resources within the Corporate Fraud Team are significantly reduced. If this occurs during 2014/15 it is likely to impact the delivery of the Corporate Fraud Team's objectives for the year. In that event revisions to the plan will be made and brought to this committee.

7. COMMUNITY ENGAGEMENT & CONSULTATION

- 7.1 The process of compiling the Internal Audit Strategy and Annual Plan has involved substantial consultations including with:
- The Executive Director of Finance and Resources and Chief Executive.
 - Other ELT members.
 - Other Heads of Service and senior management.
 - Staff within both Internal Audit and Corporate Fraud.
 - The Risk Manager.
 - External Audit.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

- 7.1 It is expected that the Internal Audit Strategy and Annual Plan for 2014/15 will be delivered within existing budgetary resources. However, the financial and service implications of the potential changes to investigating housing benefit and residual council tax benefit fraud outlined in section 6 of this report have yet to be confirmed and this could affect the delivery of the plan.
- 7.2 The Annual Internal Audit Plan and action taken in line with recommendations from audits support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 12/03/14

Legal Implications:

This report sets out the council's plan for conforming to regulation 6 of the Accounts and Audit Regulations 2011, details of which are referred to in paragraph 3.1 above.

Lawyer Consulted:

Oliver Dixon

Date: 10/03/14

Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

Risk and Opportunity Management Implications:

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

Corporate / Citywide Implications:

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

Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1. Internal Audit Strategy and Annual Plan for 2014/15

Background Documents

Accounts and Audit Regulations 2011

Public Sector Internal Audit Standards

Brighton & Hove City Council Strategic Risk Register (reviewed by ELT 25 September 2013)