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Internal audit and corporate fraud Annual Report 2015-16

June 2016



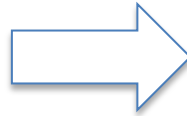
Brighton & Hove
City Council

Head of Internal audit opinion

In my opinion, reasonable assurance can be provided on the overall effectiveness of the council's control environment for the year ended 31 March 2016, but only limited assurance on the effectiveness of the council's contract management practices and the security over some of the council's information and records.

Graham Liddell, Head of Internal Audit, 7 June 2016

Reasonable assurance



- Core financial systems generally robust
- Key services well controlled
- Governance arrangements in place

Limited assurance

- contract management
- security of some information and records

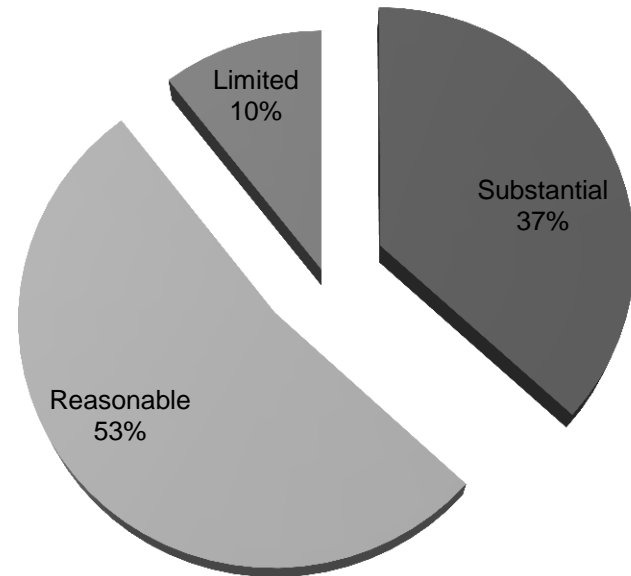


- Corporate contract management processes to be strengthened
- Information risks and mitigating actions to be more clearly set out and documented



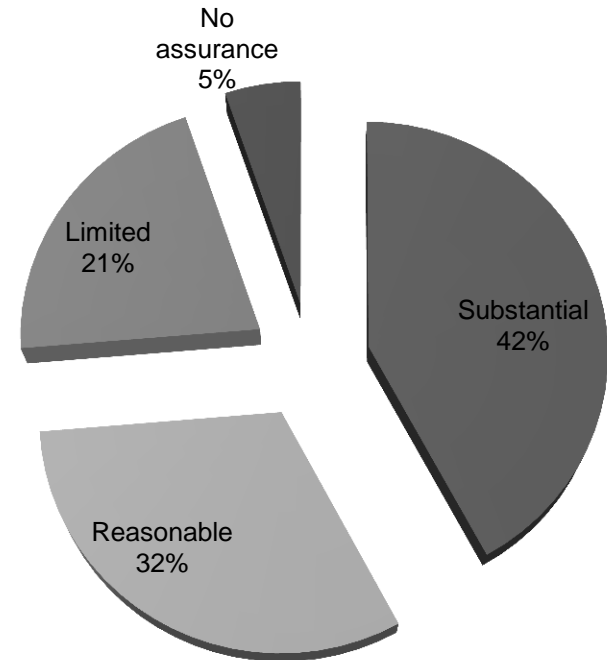
Governance and core systems

- Core financial controls and governance arrangements generally robust
- Financial controls effective in addressing over-spending
- Loss of staff affected operation of some key controls
- Process for keeping pension records up to date needs improvement



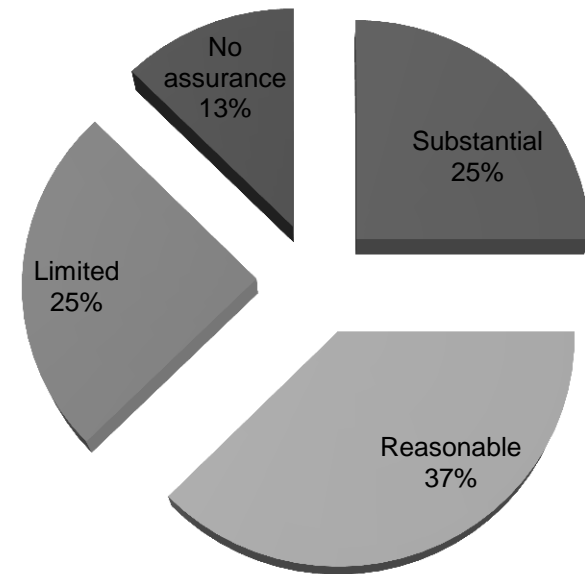
Services

- Most services maintained a sound control environment whilst delivering savings
- Further streamlining and automation of controls required as costs are reduced further
- Limited assurance reports due to weaknesses in contract management
- Controls to prevent fraudulent applications for residents' parking permits not working effectively



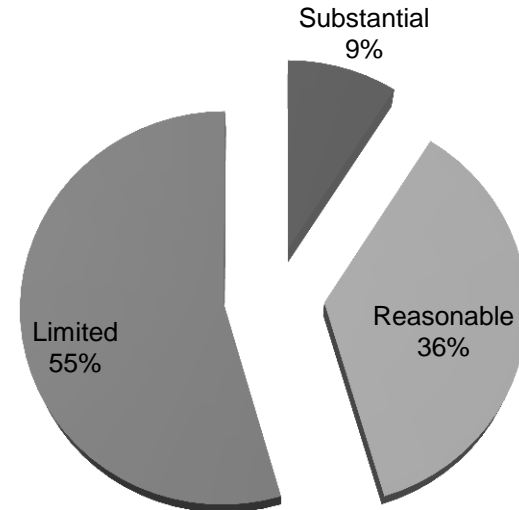
Procurement and contract management

- Action taken to strengthen procurement arrangements beginning to have an impact
- Key risk is now contract management
- Overpayments for housing repairs identified by improved 'client side' monitoring
- Corporate arrangements for ensuring contracts are monitored effectively need to be developed further



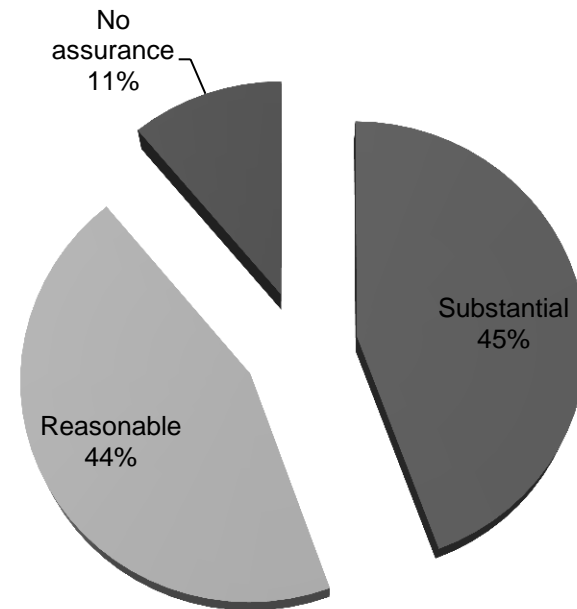
Information assurance

- Reasonable assurance over data protection, freedom of information and health/social care data sharing
- Consolidated risk register for information risks and mitigating actions needs to be developed further
- Improvements needed to prevent unauthorised access to systems, disaster recovery and business continuity.



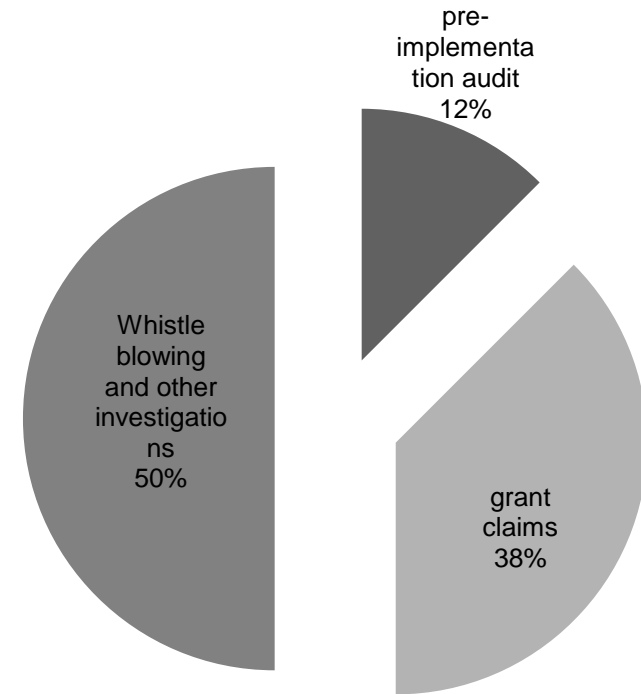
Schools

- Controls generally in place but depend on a very small number of staff.
- Schemes of delegation not always followed
- Emerging risks identified including management of income streams, controls over purchasing cards and security of IT equipment
- One 'no assurance' report issued following concerns raised by head teacher on poor financial and budget management



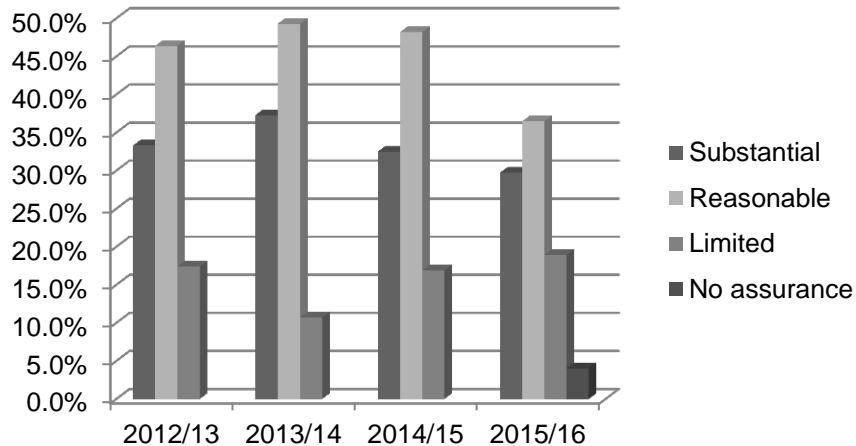
Other audit work

- Lessons learned from CCI contract reported to Audit & Standards Committee
- Agreed action to demonstrate more clearly how the council is addressing issues arising from the dismissal of the Head of Housing and Organisational Learning Review
- Support for grant claims made by the council including certification of claims and review of housing benefit cases.



Audit results compared to previous years

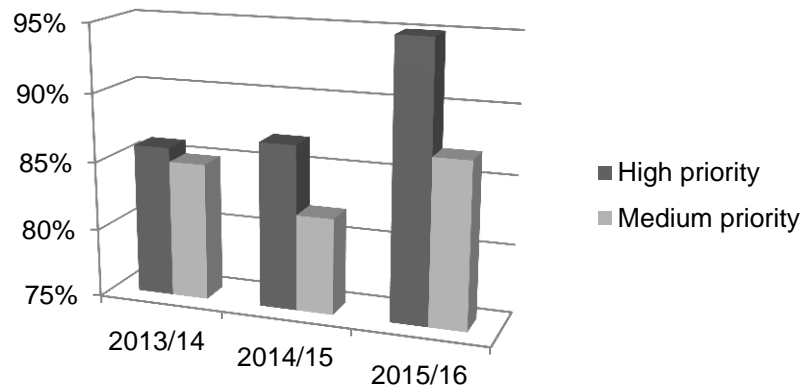
Audit opinions issued



We have issued more critical opinions in 2015/16 than in previous years

- greater focus on information risks
- use of data analytics to identify things that have gone wrong

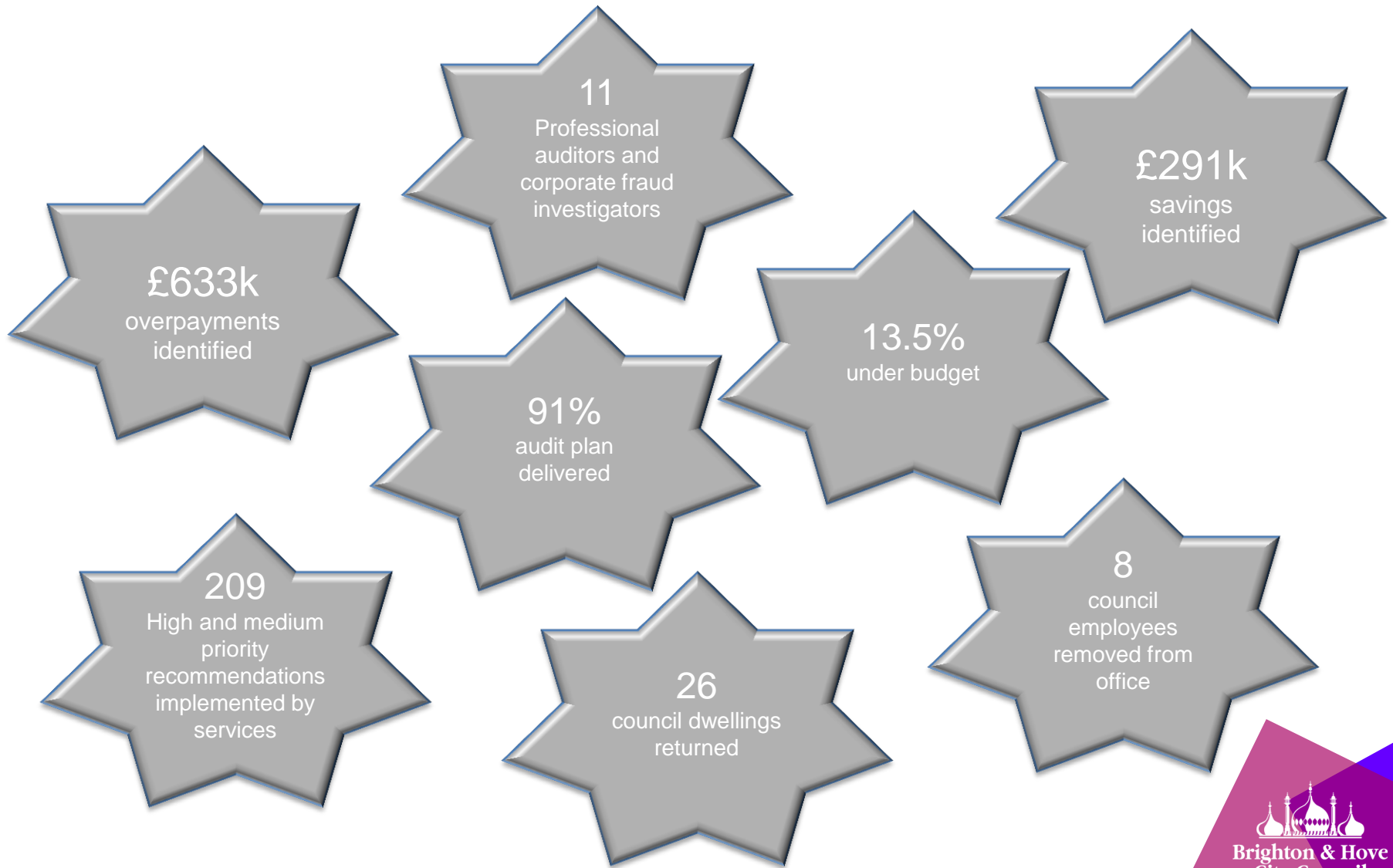
Implementation of recommendations



Recommendation implementation rates increased markedly

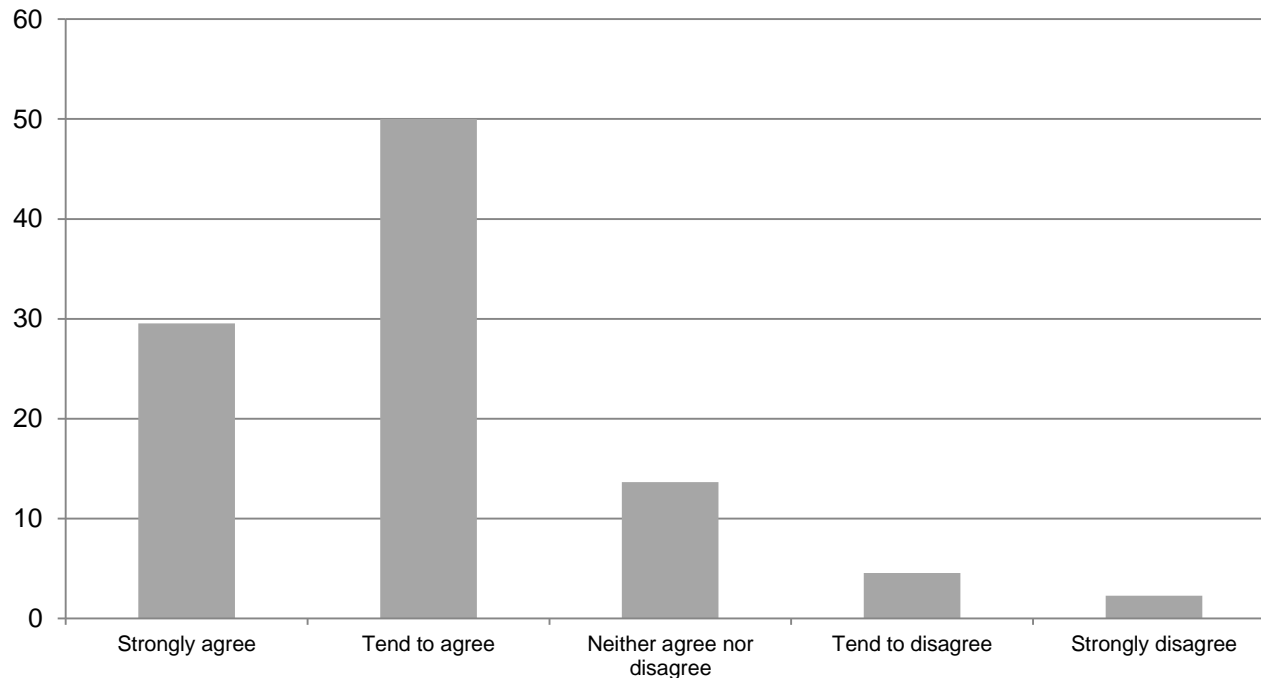
- new system for tracking recommendations
- high priority given to audit recommendations by senior management

IA and corporate fraud in numbers



What our customers think of us

Percentage of customers who agree that internal audit and corporate fraud added value to their service



What our customers say

For years [internal audit] was something we endured as a matter of compliance rather than something that added value to our service. Of late there has been a definite shift and we feel audits are being conducted more vigorously and directed more effectively. We feel we are being listened to and that the audits are tuning in to the operational needs. As a consequence we are getting audit reports that are progressive and valuable. This of course may annoy some because this will mean the audits appear more critical. From our point of view this is something we welcome because it helps us improve our service.



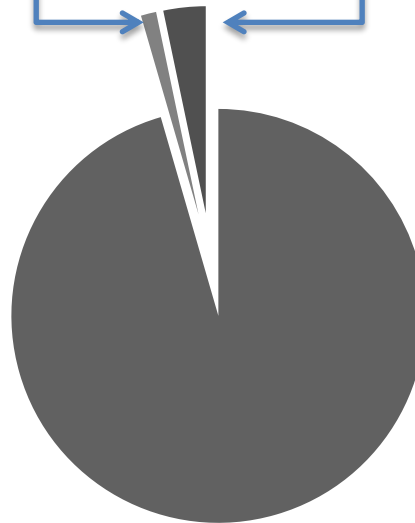
Compliance with professional standards

3 partial compliant CIPFA criteria:

- A&S Committee not responsible for appointing and removing the Head of Internal Audit (rests with Executive Director of Finance and Resources in consultation with the Chair of the Audit & Standards Committee and Chief Executive).
- A&S Committee does not determine IA budget (rests with the Full Council)
- Council is developing a structured assurance framework and this is not yet sufficiently developed to inform audit plan.

11 CIPFA criteria not applicable:

- these only apply when an external assessment takes place.
- an external assessment required every five years (ie by 2017/18) but, because of planned joint working with Orbis it an external assessment is unlikely to provide value for money if commissioned during this period of change.



Full compliance with 320 out of 334 CIPFA criteria for complying with professional IA standards covering

- Definition of IA
- Ethics
- Attribute standards
- Performance standards

Improving audit quality

Achieved in 2015/16

- ✓ New reporting format
- ✓ Implemented online system to track recommendations
- ✓ Joint working between IA and Corporate Fraud
- ✓ Cold reviews of audit quality
- ✓ Anonymous customer feedback surveys

Planned for 2016/17

- Develop richer understanding of customer needs
- Support development of a structured assurance framework
- Complete Orbis professional due diligence
- Drive improvement in quality and efficiencies through collaboration