

INTERNAL AUDIT ASSURANCE REPORT

<u>Report of the:</u>	Head of Corporate Risk
<u>Contact:</u>	Gillian McTaggart
<u>Urgent Decision?(yes/no)</u>	N
<u>If yes, reason urgent decision required:</u>	
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> – RSM Internal Audit Annual Report 2015/16 <u>Annexe 2</u> – Annual overview of performance 2015/16
<u>Other available papers (not attached):</u>	

REPORT SUMMARY

This report advises on the internal audit assurance level for 2015/16 and summarises the performance of internal audit for that year.

RECOMMENDATION (S)

- (1) The Committee is asked to receive the Internal Audit Annual Report for the year ended 31 March 2016 and the review of performance of internal audit for 2015/16.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 None for the purposes of this report.

2 Background

- 2.1 The Council's internal audit service is provided by RSM. The Council remain part of the East Surrey Internal Audit Consortium. A separate risk assessment and audit programme is determined for each Authority. An annual audit plan is submitted to the Committee prior to being finalised. The Committee also receives quarterly monitoring reports on progress.

- 2.2 The annual report produced by RSM is attached at Annexe 1 and provides a summary of all internal audit activity for 2015/16 .

- 2.3 There is a requirement for the system of internal audit to be reviewed for effectiveness once a year within Accounts and Audit Regulations and for the findings to be considered by the Committee.
- 2.4 This report covers both the Internal Auditor's assurance report (Annexe 1) and the review of audit performance (Annexe 2).

3 Proposals

- 3.1 The Internal Audit Opinion provided in the annual report by RSM is summarised as follows:-

Head of internal audit's opinion for 2015/16

The organisation has an adequate and effective framework for risk management and governance.

However our work has identified further enhancements to the framework of internal control to ensure that it remains adequate and effective.

- 3.2 Karen Williams, from RSM will attend the meeting to answer any questions on the opinion and the audit programme for 2015/16, and also to explain in detail the rationale behind the opinion.

4 Review of Effectiveness of Internal Audit

- 4.1 As in previous years, the Director of Finance & Resources has made an assessment of the effectiveness of internal audit which has been reviewed at officer level with a summary of that assessment being reported to Audit, Crime & Disorder and Scrutiny Committee.
- 4.2 A detailed overview of performance is shown in Annexe 2. Overall, RSM has provided an effective internal audit service during the year and a number of specialist advisory reviews have been completed which support the council in improving and refining processes The following summary is made of audit performance:-

- 4.2.1 There was strong delivery of the audit programme and most reports have been finalised.
- 4.2.2 There were no reports with a Red Assurance level (no assurance). Three have Amber/Red Assurance, Property Maintenance, PCI Compliance Control Framework and Car Park Income.
- 4.2.3 There were five advisory reviews where specialist auditors from other teams conducted these reviews. Although these do not form part of the end of year opinion, a number of recommendations have been identified from these and action plans are in place to address these issues. The Leadership Team has received a presentation on the action plan for Project Management and Contract Management. An update on the post implementation review of the CRM is provided within the monitoring report also reported to this Committee.
- 4.2.4 Two reports remain in draft Performance Management and Facilities Management Contract Review and data quality is currently in progress,. The majority of recommendations and all high priority recommendations were accepted by management. The follow-up action tracker report is also in draft.

5 Financial and Manpower Implications

- 5.1 The audit programme was delivered within the budget agreed.
- 5.2 **Chief Finance Officer's comments:** The internal audit work has strengthened the Council's governance arrangements. The monitoring of recommendations continues to be a weaker area but action has been agreed to improve this in 2016/17.

6 Legal Implications (including implications for matters relating to equality)

- 6.1 The legal requirements for audit are set out in the Accounts and Audit Regulations and the service is defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government.
- 6.2 **Monitoring Officer's comments:** None for the purposes of this report

7 Sustainability Policy and Community Safety Implications

- 7.1 None.

8 Partnerships

- 8.1 This is the fourth year of a five year contract. The Consortium includes Mole Valley, Reigate and Banstead; Tandridge; Waverley Borough Council and Surrey Police Authority.

9 Risk Assessment

- 9.1 An effective internal audit service forms a critical part of the Council's risk management arrangements. Significant risks not addressed during the year are reflected in the Annual Governance Statement published in the Financial Statements, which is reported to this committee as a separate item.

10 Conclusion and Recommendations

- 10.1 In view of the adequate assurance level given, the committee is asked to receive the annual report of the internal audit service as set out in Annexe 1.
- 10.2 The Committee is also asked to receive the review of the system of internal control for 2015/16 as set out in Annexe 2.

WARD(S) AFFECTED: (All Wards);