

INTERNAL AUDIT ASSURANCE REPORT 2016/17

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| <u>Report of the:</u> | Head of Corporate Governance |
| <u>Contact:</u> | Gillian McTaggart |
| <u>Urgent Decision?(yes/no)</u> | No |
| <u>If yes, reason urgent decision required:</u> | |
| <u>Annexes/Appendices (attached):</u> | <u>Annexe 1</u> – Internal Audit Annual Report 2016/17 <u>Annexe 2</u> - Annual Overview of Performance 2016/17 – Acting Director of Finance & Resources |
| <u>Other available papers (not attached):</u> | |

REPORT SUMMARY

This report advises on the internal audit assurance level for 2016/17

RECOMMENDATION (S)

- (1) That the Committee is asked to receive the Internal Audit Annual Report for the year ended 31 March 2017 in Annexe 1 and the review of performance on internal audit in Annexe 2.**

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.

- 2.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion , based upon and limited to the work performed on the overall adequacy and effectiveness of the organisations risk management, control and governance processes. This opinion contributes to the Annual Governance Statement also reported to this Committee.

- 2.3 This report covers both the internal auditors assurance report produced by RSM in Annexe 1 and the review of internal audit performance by the Acting Director of Finance and Resources.

3 Annual Report of the Head of Internal Audit

- 3.1 The Head of Internal Audit's opinion for Epsom and Ewell Borough Council is attached as Annexe 1 and is that:

"The organisation has an adequate and effective framework for risk management, governance and internal control.

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

- 3.2 These were no reviews without any assurance (previously referred to as red assurance) in 2016/17
- 3.3 RSM gave partial opinions on four areas in 2016/17, these are Housing rent accounting and reconciliation; PCI compliance, procurement and Data Quality. The recommendations have been accepted and there are plans in place to address the weaknesses identified.
- 3.4 RSM followed up actions agreed to address previous year's recommendations and noted adequate progress was made. Two high level management recommendations were identified as not implemented or in progress. This related to PCI compliance and property management. The recommendation relating to PCI Compliance relates to the call recording system and the recommendation has since been implemented. The property management recommendation relates to maintenance schedules which are in the process of being prepared. A further detailed report following up previous recommendations will be brought to the Committee in November.
- 3.4 The Director from RSM will attend the meeting to answer any questions on the audit programme for 2016/17.

4. Review of the effectiveness of internal audit

- 4.1 The Acting Director of Finance & Resources has made an assessment of the effectiveness of internal audit which has been reviewed at officer level and is reported to committee. This also forms part of the contract monitoring arrangements.
- 4.2 Overall RSM has provided an effective service as detailed in Annex 2

5 Financial and Manpower Implications

- 5.1 The audit plan was delivered within the budget agreed.

- 5.2 **Chief Finance Officer's comments:** *The plan has been delivered within budget and the audit service has been effective*

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 2015 and must also be provided in accordance with the Public Sector Internal audit Standards (PSIAS)

6.2 Monitoring Officer's comments: *There are no legal implications arising directly from this report. Internal Audit reports form a key part of the Council's governance arrangements. It is pleasing to note that our auditors believe we have an adequate and effective framework for risk management, governance and internal control. It is important that the further enhancements suggested are considered and actioned as appropriate.*

7 Sustainability Policy and Community Safety Implications

- 7.1 None for the purposes of this report.

8 Partnerships

- 8.1 We continue to be part of the Surrey consortium which includes Mole Valley, Reigate and Banstead, Tandridge, Waverley Councils and Surrey Police Authority.

9 Risk Assessment

- 9.1 An effective audit services forms a critical part of our risk management arrangements. There are no risks identified in the Head of Internal Audit's year end opinion that need to be reflected on the Annual Governance statement.

10 Conclusion and Recommendations

- 10.1 In view of the satisfactory opinion, the Committee is asked to receive the annual report of the head of Internal Audit.
- 10.2 The Committee is also asked to receive the Acting Director of Finance and Resources review of the effectiveness of internal audit.

WARD(S) AFFECTED: (All Wards);