

## ANNUAL OVERVIEW OF PERFORMANCE OF INTERNAL AUDIT SERVICES BY DIRECTOR FINANCE & RESOURCES 2016/17

### Introduction

Internal Audit is a statutory function and it is the responsibility of the Council to maintain an adequate and effective system of internal audit.

In accordance with the International Standards (PSIAS) and Regulation (6) of the Accounts and Audit Regulations 2015, the Director of Finance & Resources is required to review the effectiveness of internal audit. This review also forms part of the overall review of the assurance framework for the Annual Governance Statement which provides reliance on upon the effectiveness of the controls in place. This is reported at an End of Year Meeting and to the Audit, Crime & Disorder and Scrutiny Committee.

RSM provides the service as part of the East Surrey Internal Audit Consortium. RSM have provided an Annual Report for 2016/2017 which provides the S151 Officer and the Audit, Crime & Disorder and Scrutiny Committee with an opinion on adequacy and effectiveness of the Council's governance, risk management and controls.

### Head of Internal Audit's opinion for 2016/17

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

**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.**

**There are no areas that have impacted on our AGS**

### Overview of Performance

	AUDIT	ASSURANCE 2016/17	PREVIOUS ASSURANCE LEVEL	COMMENTS
1	Facilities Management (cf15/16)	Advisory	FM Contract (13/14) Amber/Red	Some progress
2	Cash Handling	Reasonable	Amber/ Green	Corporate procedure to be agreed
3	Data Quality (cf15/16)	Partial	Reasonable	Some errors identified in data verification but no high levels recommendations
4	Workforce Planning	Advisory	N/A	Being reviewed by Leadership Team
5	Implementation of Business Performance Review (Democratic Services	Advisory	N/A	Review of Mod gov system
6	Grants Audit	Signed off no issues	N/A	Annual review

7	Planning & Building Control	Reasonable	Amber/Green (\$106 only)	Improve PI's and completion information
8	Corporate Governance	Substantial	Green	Good Performance
9	Risk Management	Reasonable	Green	Improvements to guidance and partnership risk register
10	Creditors and Ordering	Substantial	Green	Good Performance
11	Payroll	Reasonable	Amber/Green	Payroll outsourced from 1st April 17
12	Barrier Controlled Parking – Post Implementation Review	Advisory	n/a	Project management improvements in place
13	PCI Code of Conduct Compliance (PCI)	Partial	Amber/Red	Limited progress many due to call recording
14	Allocations, Lettings & Voids	Reasonable	n/a	Agreements to be reviewed
15	Commercial Rental Income	Substantial	n/a	Good performance
16	Lintons Lane	Advisory	n/a	Action being taken
17	Revenues	Substantial	Green	Good Performance
18	Procurement	Partial	Red	Improving and good direction of travel but still being implemented
19	Benefits	Substantial	Green	Good Performance
20	Data Quality (16/17)	Partial	Reasonable	No high level recommendations but a number of issues with data verification
21	Procurement of Agency Staff	Reasonable	Red	Compliant with AWD and procurement legislation
22	Financial Management	Reasonable	Green	Staffing resources and guidance on savings plans
23	Housing Rent and Accounting	Partial Assurance	n/a	Rents not reconciled to Icon system
24	Follow up	Adequate	Adequate	Reported in more detail in Nov

<b>Audit Contract</b>	Baker Tilly took over RSM Tenon in August 2013 combining the two businesses. They are now RSM. The contract has been extended until March 2019, however due to an increase in the fees the planned days will reduce to 199 man-days per year for 17/18 and 18/19.																																																											
<b>Delivery of the Audit Contract</b>	The Audit Strategy 2016/17 was agreed on 11th April 2016, by the Audit, Crime & Disorder and Scrutiny Committee. This was based on the Council’s risk profile and where assurances are required. A total of 222 audit days were planned. 2 audits were completed from 15/16 –(Facilities Management and Data Quality) 20 other audits have been finalised 1 grants audit and 1 follow up review  One Review will be carried forward into 2017/18 –Implementation of Business Process Review (Homelessness). Any work not completed will be transferred into 2017/18.																																																											
<b>Audit Quality, Monitoring Arrangements and PI’s</b>	Regular contract monitoring meetings are in place and a regular monitoring report is issued.																																																											
<b>Consortium</b>	The Consortium agreed to an extension of the contract until 2019. The Consortium will be meeting in 2017 to agree the future provision																																																											
<b>Audit Findings 2015/16</b>	The following assurances were given; <table><tr><th>Assurance Levels</th><th>No in 2016/17</th><th>No in 2015/16</th><th>No. in 2014/15</th><th>No in 2013/14</th></tr><tr><td>Red / No Assurance</td><td>0</td><td>0</td><td>2</td><td>1</td></tr><tr><td>Amber/Red/ Partial Assurance</td><td>4</td><td>3</td><td>2</td><td>1</td></tr><tr><td>Amber/Green/ Reasonable Assurance</td><td>9</td><td>8</td><td>4</td><td>7</td></tr><tr><td>Green/ Substantial Assurance</td><td>5</td><td>3</td><td>7</td><td>6</td></tr><tr><td>WIP</td><td>0</td><td>1</td><td>1</td><td>1</td></tr><tr><td>Advisory</td><td>4</td><td>5</td><td>2(draft)</td><td>1</td></tr><tr><td>Follow up</td><td>1</td><td>1</td><td>1 (draft)</td><td>1</td></tr><tr><td>Sub Total</td><td></td><td></td><td></td><td></td></tr><tr><td>Bus Grants &amp; smaller bodies</td><td>Signed off</td><td>Signed off</td><td>Signed off</td><td>Signed off</td></tr><tr><td>Total</td><td>23</td><td>21</td><td>19</td><td>18</td></tr></table>					Assurance Levels	No in 2016/17	No in 2015/16	No. in 2014/15	No in 2013/14	Red / No Assurance	0	0	2	1	Amber/Red/ Partial Assurance	4	3	2	1	Amber/Green/ Reasonable Assurance	9	8	4	7	Green/ Substantial Assurance	5	3	7	6	WIP	0	1	1	1	Advisory	4	5	2(draft)	1	Follow up	1	1	1 (draft)	1	Sub Total					Bus Grants & smaller bodies	Signed off	Signed off	Signed off	Signed off	Total	23	21	19	18
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<b>Follow up Recommendations</b>	RSM follow up recommendations as we go through the year. We still have improvements to make in monitoring implementation as resources allow. The 4 Acton software can be upgraded to monitor performance.																																																											
<b>Feedback from External audit</b>	The External Auditors (Grant Thornton) have not identified any weaknesses in internal audit which impact on their audit approach.”																																																											
<b>Role of the Audit, Crime &amp; Disorder and Scrutiny Committee</b>	In meeting their requirements as an Audit Committee they:- -receive regular monitoring reports and the Annual Audit Strategy -are independent to management -consider an annual report -review external audit report action plans -review the Annual Governance Statement - receive the outcome of specialist reviews																																																											
<b>Additional Services</b>	RSM planned a seminar of Local Authority Trading Companies in April although this was postponed and is awaiting a scheduled date																																																											

<b>Summary of Areas for Improvement in 2017/18</b>	<ul style="list-style-type: none"> <li>• Continuing to improve the implementation and monitoring of recommendations.</li> <li>• Most draft reports are issued after a debrief containing the managers comment. There remains some confusion that the reports still needs to be finalised and there is a tendency for them to remain in draft.</li> </ul>
<b>Overall Summary</b>	<p>RSM have completed this year's audit programme except for the review of the business process review of homelessness. The review of Lintons Lance replaced the review of private sector leasing. Both these reviews will be undertaken in 2017/18.</p> <p>RSM have also assisted the Council with an additional review of ICT services which is outside of the contract. This work is currently on-going.</p>

Interim Director of Finance & Resources

22nd May 2017