

INTERNAL AUDIT MONITORING REPORT

Report of the: Head of Corporate Governance
Contact: Gillian McTaggart
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): Annex 1 – Internal Audit Progress Report
Other available papers (not attached):

REPORT SUMMARY

This report summaries progress against the audit plan for 2016/17

RECOMMENDATION (S)

- (1) That the Committee receives the Internal Audit progress report for 2016/17.**

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 Committee's terms of reference includes the requirement to monitor the implementation of recommendations from both external and internal auditors.
- 2.2 On 11 April 2017, the Committee received the previous internal audit progress report for 2016/17. There were no matters arising where the Committee required further reports.
- 2.3 The Committee endorsed the audit plan on for 2016/17 on the 14 April 2016.

3 Proposals

- 3.1 The internal audit progress report covering the period to date for 2016/17 is attached as Annexe 1 to this report.
- 3.2 The report monitors the delivery of the audit programme and contains the key features that the Committee has requested. During the year, progress reports will reflect the internal auditor's opinion. The report includes:
- 3.2.1 A summary of progress.
- 3.2.2 Internal audit plan performance.
- 3.2.3 Any alterations to the plan
- 3.2.4 Key findings of each review.
- 3.3 A summary of progress against the Internal Audit Plan for 2016/17 is shown below: Since last reported to Committee, nine reports have been finalised. This includes eight planned reviews. These are; Allocations, Lettings & Voids; Payroll; Data Quality; Commercial Rental Income; Revenues; Benefits; Agency staff – procurement; and Procurement. An additional advisory review was undertaken around the Section 106 agreement for a development at Lintons Lane.

Assignment	Reported	Opinion	H	M	L
Facilities Management (c/f from 15/16)	15 Nov 16	Advisory		8	
Data Quality (c/f 15/16)	15 Nov 16	Reasonable Assurance		1	2
Cash Handling	15 Nov 16	Reasonable Assurance		1	2
Workforce Planning	15 Nov 16	Advisory		3	
Rent Account & Reconciliation	15 Nov 16	Partial Assurance		3	3
Building & Planning Control	9 Feb 17	Reasonable Assurance		1	4
Corporate Governance	9 Feb 17	Substantial Assurance			0
Financial Management & Main Accounting	11 April 17	Reasonable Assurance		1	1

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE
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Allocations, Lettings & Voids	20 June 2017	Reasonable Assurance		3	2
Business Performance Review – Democratic Services	15 Nov 2016	Reasonable Assurance		1	2
Risk Management	9 Feb 2017	Reasonable Assurance		2	1
Barrier Controlled Parking Project - Post Implementation Review	11 April 2017	Advisory		1	2
Payroll	20 June 2017	Reasonable assurance		1	5
Data Quality	20 June 2017	Partial Assurance		4	1
Commercial Rental Income	20 June 2017	Substantial Assurance			1
Private Sector Leasing	Delayed until 17/18 as no PSL carried out				
Creditors	9 Feb 2017	Substantial			1
Revenues	20 June 2017	Substantial			0
Benefits	20 June 2017	Substantial			3
Business Performance Review – Homelessness	To be completed in 2017/18				
Agency Staff – Procurement	20 June 2017	Reasonable Assurance		3	3
Procurement	20 June 2017	Partial Assurance	3	6	1
PCI Compliance	11 April 2017	Partial Assurance	2	1	1
Lintons Lane	20 June 2017	Advisory		3	
Follow up Review	20 June 2017 as part of annual assurance report	Adequate			

- 3.3 The Committee should note that there are two reports with partial assurance, Procurement and Data Quality. Procurement was previously audited in 2014/15 and was given a red or no assurance rating. The auditors noted that good progress had been made but a number of improvements were still being actively worked on. The contract standing orders have been updated and new procurement software is being rolled out which will streamline and standardise processes and ensure all significant activity is captured. An action plan is already in place and further details will be added to strengthen it. The recommendations included identifying areas of non-compliance with policy and contract standing orders, key time lines for contracts due to be renewed in the next three years, creating a monitoring model to identify maverick spend and maintaining key performance indicators. The auditors also recommended the establishment of a corporate procurement board.
- 3.4 Data Quality was rated as partial assurance as it identified a number of errors within the source data, these related to fly tipping, digital applications for housing clients and premises licence applications
- 3.5 An additional review was requested to confirm the facts surrounding the Section 106 agreement with a developer of Lintons Lane. Section 106 of the Town and Country Planning Act 1990 determines the agreement with developers for their planning obligations. This review focused on the facts surrounding the failure to control the financial contributions due from this development and the remedial action taken going forward.

4 Financial and Manpower Implications

- 4.1 There are no financial or manpower implications within this report.
- 4.2 ***Chief Finance Officer's comments: The internal audit function and service represents a key part of the Council's internal and assurance mechanism for each financial year.***

5 Legal Implications (implications for matters relating to equality)

- 5.1 The contract with RSM has been extended for two years until March 2019.
- 5.2 ***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 important that all recommendations are considered, and implemented as appropriate.***

6 Sustainability Policy and Community Safety Implications

- 6.1 None for the purposes of this report.

7 Partnerships

- 7.1 The Council is working in partnership with Mole Valley, Reigate and Banstead, Tandridge and Waverley Councils as a consortium.

8 Risk Assessment

- 8.1 The internal audit service forms a statutory part of the Council's internal control.

9 Conclusion and Recommendations

- 9.1 There are no reports which have been given a "no assurance" rating that would impact on the Head of Internal Audit's year end opinion (which is included as another item on this agenda). Overall for the year there were only four reports with partial assurance. Taking into account these ratings the Head of Internal Audit's overall opinion for 2016/17 is that the organisation has an effective framework for risk management, governance and internal control. However further enhancements are required. The implementation and monitoring of these recommendations will be ongoing in 2017/18.

WARD(S) AFFECTED: (All Wards);