

INTERNAL AUDIT MONITORING REPORT

Head of Service/Contact:	Gillian McTaggart, Head of Corporate Governance
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Annex 1 – Internal Audit Progress Report 2018/19 Annex 2 - Internal Audit Progress Report 2017/18 (Exempt from publication on the grounds that it relates to the business affairs of the Council)

Other available papers (not attached):

Report summary

This report summarises progress against the audit plan for 2018/19 and provides details on the one outstanding audit from 2017/18.

Recommendation (s)

That the Committee:

- (1) receives the internal audit progress report for 2017/18 which provides details on the outstanding audit from 2017/18
- (2) receives the internal audit progress report for 2018/19
- (3) notes the proposed changes to the provision of internal audit services as from 1 April 2019.

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

- 1.1 None for the purposes of this report.

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2 Background

- 2.1 The Committee's Terms of Reference include the requirement to monitor the implementation of recommendations from both external and internal auditors.
- 2.2 On 19 June 2018 the Committee received the last internal audit progress report for 2017/18 together with the 2017/18 year-end report. One audit report, however, relating to Cyber Security remained outstanding. This has since been finalised. An overview of the audit findings has been set out in this report.
- 2.3 The Internal Audit Plan for 2018/19 was endorsed at the meeting of the Audit, Crime & Disorder and Scrutiny Committee on the 19 April 2018. A number of audits within this plan have already been completed, the details of which have also been set out in this report.

3 Outstanding Audit from Audit Plan 2017/18 – Cyber Security

- 3.1 Due to the delay in commencing this audit it was not finalised by the year end. The findings were however taken into account in the Head of Internal Audit's year end opinion.
- 3.2 Cyber security is a high-profile risk and the audit assessed us against Cyber Security Framework: Information Risk Management Regime. As part of the audit the Council was asked to complete a self-assessment on 19 April 2018, which was then analysed by Internal Audit, although not a certification body.
- 3.3 The detailed findings are shown in **Annex 2**.
- 3.4 The ICT Manager will be in attendance at the meeting.

4 Audit Plan 2018/19

- 4.1 A summary of progress made against the Internal Audit Plan 2018/19 from 1 April to the end of September 2018 is shown in the table below and in the internal audit progress report attached at **Annex 1**.
- 4.2 Five audits have been finalised this year to date – Health & Safety, EEPIC Company Governance, Community Safety, Income from s.106 and Community Infrastructure Levy plus a Continuous Assurance audit. There are no issues within the audits issued to date to bring to the attention of the Committee.

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Assignment	Reported	Opinion	H	M	L
Cyber Security C/F from 2017/18	22 Nov 2018	Advisory	0	10	2
HR Management					
Health & Safety	22 Nov 2018	Partial Assurance	2	2	3
Income from S106 and Community Infrastructure Levy	22 Nov 2018	Reasonable Assurance	0	1	3
Venues	In draft				
EEPIC Company Governance	22 Nov 2018	Reasonable	0	4	2
Community Safety	22 Nov 2018	Advisory	0	1	2
Project Management	WIP				
Homelessness	In draft				
Treasury Management					
Payroll					
IT Audit (tbc)					
Corporate Governance					
Risk Management					
Continuous Assurance	22 Nov 2018 Quarter 1 Report	Advisory		1	
Follow up				1	
Contract Management					

4.3 A new area of work included in the 2018/19 plan is continuous assurance. This particular area consists of an agreed set of controls assessed quarterly to give on-going assurance over some of the key financial processes, including revenues, benefits, capital accounting and debtors. There was one recommendation in the report for quarter one relating to the backlog of tree inspections.

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5 Proposed new arrangements for Internal Audit

- 5.1 The contract with RSM for the provision of internal audit expires at the end of March 2019. The contract was initially for 5 years and was extended for a further two years.
- 5.2 A report was taken to the Strategy & Resources Committee on 25 September outlining the new proposal for the provision of internal audit services as from 1 April 2019. The East Surrey Audit Consortium consisting of Epsom and Ewell, Reigate and Banstead, Tandridge, Mole Valley and Waverley Councils, and Surrey Police Crime Commissioner's Office, reviewed a number of options. It was unanimously agreed by the Consortium members that based on a full evaluation of the options the proposal from Southern Internal Audit Partnership was most advantageous.
- 5.3 The Southern Internal Audit Partnership (SIAP) is hosted by Hampshire County Council. It was established in 2012 and has a diverse portfolio of 21 public sector clients and 7,500 audit days. They are not focused on profits, and their emphasis is on quality, professional and value adding services. They have a range of in-house specialists covering IT, trained fraud supervisors and experienced, qualified procurement and contract auditors.
- 5.5 SIAP has been externally assessed as compliant with the Public Sector Internal Audit Standards.
- 5.6 The Council will be required to enter into a partnership agreement with SIAP which sets out the composite day rate. These rates will be reviewed annually on the basis of pay costs based on national pay awards.
- 5.7 SIAP has confirmed its composite day rate but this is subject to the on-going due diligence based on audit needs assessment, each organisation's requirements and any potential TUPE requirements.
- 5.8 SIAP will be heavily involved in the transition arrangements. It is expected that it will take 3 months from formal notification, but they have been meeting with the Consortium to discuss arrangements and undertake due diligence. The Head of Internal Audit at SIAP will attend the Committee in February 2019.

6 Financial and Manpower Implications

- 6.1 There are no financial or manpower implications within this report.
- 6.2 **Chief Finance Officer's comments: None for the purposes of this report.**

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

7.1 None for the purposes of this report.

7.2 **Monitoring Officer's comments: none arising from the contents of this report.**

8 Sustainability Policy and Community Safety Implications

8.1 None for the purposes of this report.

9 Partnerships

9.1 The Council is part of the East Surrey Internal Audit Consortium but this consortium is due to cease on 31 March 2019 when the Council will enter into a new agreement independently with SIAP.

10 Risk Assessment

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

11 Conclusion and Recommendations

11.1 There are no reports that have been given "no assurance" rating that would affect the Head of Internal Audit's year end opinion.

11.2 The Committee should note that there has been good progress in completing the audits in this year's audit plan ensuring that the plan for 2018/19 will be completed in a timely manner.

11.3 The Committee is also asked to note the proposed new arrangements for the provision of internal audit services as from 1 April 2019.

Ward(s) Affected: (All Wards);