

INTERNAL AUDIT – MONITORING REPORT

Report of the: Director of Finance

Contact: Gillian McTaggart

Urgent Decision?(yes/no) No

If yes, reason urgent decision required: N/A

Annexes/Appendices (attached): Annexe 1 - Internal Audit Progress Report
Annexe 2 - Progress Update on Implementation of High Priority Recommendations from 2015/16 Audit Plan previously reported to Committee.

Other available papers (not attached): Strategy for Internal Audit for 2015/16

REPORT SUMMARY

This report summarises progress against the audit plan for 2015/16.

RECOMMENDATIONS

(1) That the Committee receives the Internal Audit Progress Report for 2015/16.

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 implementation of recommendations from the external and internal auditors.

2.2 On 26 November 2015 the Committee received the internal audit progress report for 2015/16. There were no matters arising where the Committee required further reports.

2.3 The Committee endorsed the Strategy for Internal Audit for 2015/16 on 9 April 2015.

3 Audit Findings

- 3.1 The Internal Audit Progress Report covering the period to date for 2015/16 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 this Committee has requested. RSM use the traffic light system of Red, Amber and Green. Amber has been split into two classifications (Amber-Green and Amber-Red) in order that the auditors can give a clear indication of whether an assurance is positive or negative. During the year, progress reports will reflect the opinions given and build a picture of findings towards the end of year opinion. The recommendations within each report are categorised as High, Medium or Low.
- 3.3 The report (see Annexe 1) monitors the effective delivery of the audit programme and contains the key features that this Committee has requested previously:-
- 3.3.1 It provides a summary of progress against the internal audit plan.
- 3.3.2 Internal Audit Plan Performance.
- 3.3.3 Any alterations to the Audit Plan are highlighted, as are any planning issues.
- 3.3.4 Key Findings from Internal Audit Work, identifying the headline findings and the agreed recommendations.
- 3.4 Three reports have been finalised since the last monitoring report; two specialist reviews covering Project Management and Contract Management. And a review of Property Maintenance. The specialist reviews were completed differently to normal planned reviews and specialists from RSM completed the work the recommendations were not ranked as with normal audits as they provide guidance on the approach the Council needs to take to address their concerns.

Assignment	Opinion	Actions Agreed		
		H	M	L
<i>Project Management Advisory Review</i>	Advisory	0	7	0
<i>Contract Management Advisory Review</i>	Advisory	0	7	0
<i>Property Maintenance</i>	Amber/Red	1	1	2

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3.4.1 **Project Management** - Although there was some evidence of good practice in project management it was not consistently applied on many projects and in their opinion project management is in its infancy.

3.4.2 **Contract Management** – There were some instances of good practice of contract management within the Council however there were limited formal contract management processes and controls in place. In particular they identified challenges around performance reporting on contracts and gaps in accountabilities between those responsible for contract management and sponsors within service areas.

3.5 The actions were reported to the Leadership Team on the 7 December and they agreed to a range of actions including updating guidance and toolkits, the use of Highlight Reports for reporting on key projects and training to staff. The initial focus will be on Project Management and then Contract Management

3.6 The following implementation plan was agreed by the Leadership Team.

Draft Project Management Principles & Toolkit	February 16
Project Mgt Training to Managers	April 16
Lunch n Learn Sessions	May 16
Draft Contract Management Guidance	May 16
Training on Contract Management (possibly external)	Sept 16
Capital Bid Process Review	August 16

3.7 There is one reports in draft, and this will be reported to the next meeting. These are:-

Assignment in Draft	Draft Opinion
<i>Income from Car Parks</i>	Amber/Red

3.8 There is one reports in draft, and this will be reported to the next meeting. These are:-

- 3.9 The Committee are also asked to note the progress in implementing the actions from the high priority recommendations previously reported to Committee from audits within the current audit plan for 2015/16. These are detailed in Annexe 2. Some actions have been completed although some implementation dates are not yet due. Further progress will be provided in the next monitoring report.

4 Financial and Manpower implications

- 4.1 There are no specific financial or manpower implications for the purpose of this report.
- 4.2 Officers are taking a pragmatic approach to ensure that the process does not become unduly bureaucratic, whilst ensuring that reasonable changes are considered where appropriate.
- 4.3 **Chief Officers comments:** Having identified the need to improve contract management and performance management, 2 reviews were commissioned to assist the Council to find a way forward. The reviews have helpfully identified the issues that need to be addressed and the Leadership Team has agreed an improvement plan. It is important that this plan is implemented.

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

- 5.1 Baker Tilly has rebranded and will now be known as RSM.

5.2 Monitoring Officer's comments: None for the purposes of this report.

6 Sustainability Policy and Community Safety Implications

- 6.1 There are no particular community safety implications for the purpose of this report.

7 Partnerships

- 7.1 The Council will work with Internal Auditors to improve risk management arrangements.
- 7.2 The contract for internal audit services is held jointly with Mole Valley, Reigate and Banstead, Tandridge and Waverley Councils and the Surrey Police Authority.

8 Risk Assessment

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

9 Conclusion and Recommendations

- 9.1 There has been no audit review with a red assurance reported in this monitoring report but the Committee should note that there were some significant areas of concerns identified in the reviews of Project Management and contract Management .The Committee should note this may have an impact on the Head of Internal Audit's Year End Opinion.

WARD(S) AFFECTED: ALL