

INTERNAL AUDIT MONITORING REPORT

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Gillian McTaggart
<i>Urgent Decision?(yes/no)</i>	No
<i>If yes, reason urgent decision required:</i>	N/A
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - Internal Audit Progress Report <u>Annexe 2</u> – Progress Update on 2015/16 High Priority Recommendations
<u>Other available papers (not attached):</u>	Strategy for Internal Audit for 2015/16 Agendas and Minutes of meetings of the Audit, Crime & Disorder and Scrutiny Committee held on 4 April 2015 and 4 February 2016.

REPORT SUMMARY

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

RECOMMENDATIONS

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| <p>(1) That the Committee receives the Internal Audit Progress Report for 2015/16.</p> | |
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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 4 February 2016 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 4 April 2015 and another report is brought to this Committee proposing the Audit Strategy for 2016/17.

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 Four reports have been finalised since the last monitoring report; these are Income from Car Parking (Amber/Red) and Fleet Management (Green), Payroll (Amber/Green) and Capital Accounting and Fixed Assets (Green) noted in bold in the Table below.
- 3.5 Income from Car Parking was assigned an Amber /Red . This was due to the significant number of discrepancies between the value recorded on the audit tickets from the parking machines and the cash collected. A total of 74 days of cash collections from September to November 2015 were examined and of those, 64 were with an unexplained discrepancy. 29 of these exceeded £200 and 2 exceeded £1,000. The overall discrepancies identified amounted to +£16,112.25. Although it is an overall positive variance, this can mask negative variances when unexplained. Explanations for these discrepancies were subsequently obtained by the auditor and reasons for any future variances will now be recorded at the time of the reconciliation and investigated promptly.

- 3.6 Due to an administrative error the details of the Project Management and Contract Management Reviews were not included within the Progress Report reported to the February committee meeting . The updated report was subsequently emailed to all members of the Committee and a summary of the findings have been included within this Progress Report . Both of these reviews highlighted gaps in our current processes. An action plan has been drawn up to improve our arrangements which was discussed at the Leadership Team in December. The initial focus will be on improving our project management arrangements. Our contract management arrangements will be reviewed in line with proposed changes to our procurement framework. The Risk Assurance Director from RSM will be available at the meeting to go through any queries.
- 3.7 A summary of progress against the Internal Audit Plan for the year to date including those previously reported is shown below.

Assignment	Opinion	Actions Agreed		
		H	M	L
<i>Attendance</i>	Green		1	1
<i>Recruitment</i>	Amber/Green		1	5
<i>Review of Anti Fraud and Anti Bribery Arrangements</i>	Advisory	1	5	3
<i>Cash Handling</i>	Amber/Green	1	5	3
<i>Venues</i>	Amber/Green		1	1
<i>Information Governance</i>	Amber/Green		2	8
<i>Property Maintenance</i>	Amber/Red	1	1	2
<i>PCI Compliance</i>	Amber/Red	3	6	
<i>Project Management</i>	Advisory		7	
<i>Contract Management</i>	Advisory		7	
<i>Income from Car Parking</i>	Amber/Red	1	1	1
<i>Fleet Management</i>	Green			2
<i>Payroll</i>	Amber/Green		1	3
<i>Capital Accounting & Asset Management</i>	Green			0

3.8 An update on the progress for the implementation of the 7 high priority recommendations reported in 2015/16 is attached in Annexe 2.

3.9 There is one report in draft, which will be reported to the next meeting; which is:-

Assignment in Draft	Draft Opinion
<i>Income from Recycling: Green Waste</i>	Amber/Red

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 Finance Officer's comments:** None for the purposes of this report.

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, although one has an Amber/Red Assurance.

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE
14 APRIL 2016

WARD(S) AFFECTED: ALL