

INTERNAL AUDIT ASSURANCE REPORT 2014/15

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Doug Earle or Gillian McTaggart
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - Internal Audit Annual Report 2014/15– Baker Tilly <u>Annexe 2</u> – Annual Overview of Performance 2014/15 –Director of Finance & Resources
<u>Other available papers (not attached):</u>	None stated

REPORT SUMMARY

This report advises on the internal audit assurance level for 2014/15 and summarises the performance of internal audit for that year.

RECOMMENDATION (S)

The Committee is asked to receive the Internal Audit Annual Report for the year ended 31 March 2015 (Annexe 1) and the review of the performance of Internal audit for 2014/15 (Annexe 2).

Notes

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

1.1 None for the purpose of this report.

2 Background

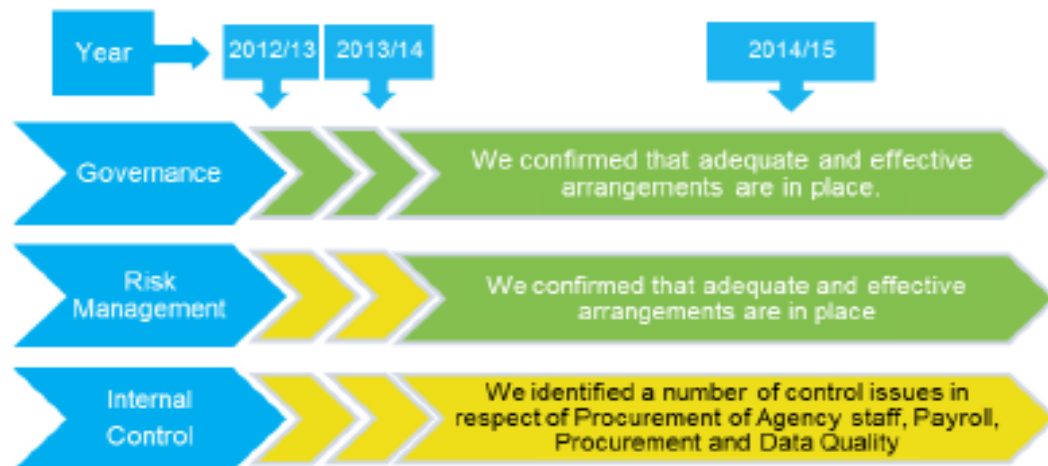
- 2.1 The Council's Internal Audit service was provided by RSM Tenon until August 2013 until they were taken over by Baker Tilly. The Council remain part of the East Surrey Internal Audit Consortium. A separate risk assessment and audit programme is determined for each Authority. An Audit plan is submitted to the Committee prior to being finalised. The Committee also receives quarterly monitoring reports.
- 2.2 The annual report produced by Baker Tilly is attached at Annexe 1 and provides a summary of all internal audit activity for 2014/15.
- 2.3 There is a requirement for the system of internal audit to be reviewed for effectiveness once a year within Accounts and Audit Regulations and for the findings to be considered by a Committee.
- 2.4 This report covers both the Internal Auditor's assurance report (Annexe 1) and the review of audit performance (Annexe 2).

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3 Annual Report of the Internal Audit Service

- 3.1 The Internal Audit Opinion provided in the annual report by Baker Tilly is summarised as follows:-
- 3.2 The grid provides an overview of the assurance levels using a traffic light system. As in previous years a green light indicates all controls are in place and working well, amber light indicates that arrangements are satisfactory but there are some key areas where improvement can be made. A direction of travel shows whether there is improving, adverse or static change.



- 3.3 The grid above identifies that for 2014/15, based on the work undertaken the Council are Green for Governance, Green for Risk Management and Amber for Internal Control.
- 3.4 The arrows which indicate the Direction of Travel indicate that Risk Management has moved from Amber to Green. Both Governance and Internal Control remain unchanged.
- 3.5 Karen Williams, from Baker Tilly will attend the meeting to answer any questions on the audit programme for 2014/15, and also to explain in detail the rationale behind the grid.

4 Review of Effectiveness of Internal Audit

- 4.1 As in previous years, the Director of Finance & Resources has made an assessment of the effectiveness of internal audit which has been reviewed at officer level with a summary of that assessment being reported to the Committee.
- 4.2 This review has been undertaken by the Director of Finance and Resources as part of the contract monitoring arrangements. Overall, Baker Tilly has provided an effective internal audit service during the year. The following summary is made of audit performance:-

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- 4.2.1 There was strong delivery of the audit programme and most reports have been finalised.
- 4.2.2 Two reports were awarded a Red Assurance level (no assurance). These are Procurement and the Procurement of Agency staff. Action is currently being taken to address the weaknesses. Some action has been taken to address the recommendation in the Procurement audit; although further actions will be reviewed by the Officer led Procurement Group. A health check of the procurement function within the Council is also planned for 2015. A report will be going to Strategy & Resources Committee on 24th June 2015 outlining the proposal to tender the contract for agency workers.
- 4.2.3 The majority of recommendations and all high priority recommendations were accepted by management.
- 4.2.4 One audit is still a work in progress; Property Maintenance This is due to difficulties in commencing the review and arranging to meet the relevant managers.
- 4.2.5 Three reviews remain in draft, Post Implementation Review of CRM, Review of Fraud arrangements and the follow up review for 2014/15.

5 Financial and Manpower Implications

- 5.1 The audit was delivered within the budget agreed.
- 5.2 **Chief Officer Comments:** none for the purposes of this report

6 Legal Implications (including matters relating to equality)

- 6.1 The legal requirements for audit are set out in the Accounts and Audit Regulations and the service is defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government.
- 6.2 **Monitoring Officers comments:** none for the purposes of this report.

7 Partnerships

- 7.1 This is the third year of the new contract. The Consortium includes Mole Valley, Reigate and Banstead; Tandridge; Waverley Borough Council and Surrey Police Authority.

8 Risk Assessment

- 8.1 An effective Internal Audit Service forms a critical part of the Council's risk management arrangements. Significant risks not addressed during the year are reflected in the Annual Governance Statement published in the Financial Statements, which is reported to this committee as a separate item.

9 Conclusion and Recommendations

- 9.1 In view of the satisfactory assurance level given, the committee is asked to receive the annual report of the internal audit service as set out in Annexe 1.
- 9.2 The Committee is also asked to receive the review of the system of internal control for 2014/15 as set out in Annexe 2.

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WARD(S) AFFECTED: N/A