

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE

23 JUNE 2015

ANNUAL OVERVIEW OF PERFORMANCE OF INTERNAL AUDIT SERVICES BY DIRECTOR FINANCE & RESOURCES 2014/15

Introduction

Internal Audit is a statutory function and it is the responsibility of the Council to maintain an adequate and effective system of internal audit.

In accordance with the International Standards (PSIAS) and Regulation (6) of the Accounts and Audit Regulations 2015, the Director of Finance & Resources is required to review the effectiveness of internal audit. This review also forms part of the overall review of the assurance framework for the Annual Governance Statement which provides reliance on upon the effectiveness of the controls in place. This is reported at an End of Year Meeting with Statutory Officer Group and to the Audit, Crime & Disorder and Scrutiny Committee.

Baker Tilly provides the service as part of the East Surrey Internal Audit Consortium. Baker Tilly has provided an Annual Report for 2014/2015 which provides the S151 Officer and the Audit, Crime & Disorder and Scrutiny Committee with an opinion on adequacy and effectiveness of the Council's governance, risk management and controls. The overall opinion, based on the work undertaken by Baker Tilly is that there are effective arrangements are in place for Governance (Green), Risk Management (Green) and Internal Control (Amber). They identified a number of control issues in respect of the Procurement of Agency Staff, Procurement, Data Quality and Payroll. The assurance level for 2013/14 was Governance (Green), Risk Management (Amber) and Internal Control (Amber).

Overview of Performance

| | AUDIT | ASSURANCE 2014/15 | PREVIOUS ASSURANCE LEVEL | DIRECTION OF TRAVEL |
|---|---|-------------------|---|---------------------|
| 1 | Income Systems | Amber/Green | Amber /Green (Income Waste & Income Venues 13/14) | ↔ |
| 2 | Planning - Income from s106 agreements | Amber/Green | Amber Red (11/12) | ↑ |
| 3 | Creditors | Green | Green (12/13) | ↔ |
| 4 | Data Quality | Amber/Red | Amber/Green (13/14) | ↓ |
| 5 | Procurement - Agency staff (c/f from 13/14) | Red | n/a | |
| 6 | Individual Electoral Registration | Green | n/a | |
| 7 | Benefits | Green | Green (13/14) | ↔ |
| 8 | Theatre - security of income | Amber /Green | Amber/Green (Income collection Venues 13/14) | |

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|----|-------------------------------------|-----------------|---|---|
| 9 | Revenues | Green | Green (13/14) | ↔ |
| 10 | Cash receipting and reconciliations | Green | Amber/Green Cash Office 12/13 | ↑ |
| 11 | Procurement | Red | Amber/Green (12/13) | ↓ |
| 12 | Governance and Risk Management | Green | Amber/Green (13/14) | ↑ |
| 13 | Freedom of Information | Amber/Green | n/a | |
| 14 | Payroll | Amber/Red | Green (13/14) | ↓ |
| 15 | Emergency Planning | Amber/Green | n/a | |
| 16 | Property Maintenance | WIP | n/a | |
| 17 | Non-Benefit Fraud Risk Assessment | Draft -Adequate | Advisory Counter Fraud Review – basic measures in place | |
| 18 | CRM Post Implementation Review | Draft | n/a | |
| 19 | Follow up | Adequate | Adequate | ↔ |
| 20 | Bus Grant | Signed off | Signed off | |

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| Audit Contract | Baker Tilly took over RSM Tenon in August 2013 combining the two businesses. RSM Tenon had some financial instability and this takeover resulted in a larger company with over 4,000 partners and staff. Baker Tilly provides a complete range of internal audit services and risk management. | | | | | | | | |
|--|---|---------------|--|------------------|----------------|---------------|-----|---|---|
| Delivery of the Audit Contract | <p>The Audit Strategy 2014/15 was agreed on 27th March 2014, by the Audit, Crime & Disorder and Scrutiny Committee. This was based on the Council’s risk profile and where assurances are required. A total of 222 audit days were planned.</p> <p>A total of 19 reviews have been undertaken (excluding bus grants and smaller bodies). The Procurement - Agency staff was initially in 2013/14 audit plan and was carried forward into 2014/15.</p> <p>Two additional reviews were added to the plan; Payroll and Theatre - Security of Income The Post Implementation Review of CRM replaced other IT reviews.</p> <p>Advisory Review of Fraud Arrangements (Draft) CRM Post Implementation Review (Draft) Follow up review (Draft)</p> <p>Work in Progress Property Maintenance Any work not completed will be transferred into 2015/16.</p> | | | | | | | | |
| Audit Quality, Monitoring Arrangements and PI’s | <p>Regular contract monitoring meetings are in place and a regular monitoring report is issued.</p> <p>The PI’s for 2014/15 are; Audits commenced in line with original timescale - 100% Audit scopes signed by relevant Director - 100% Drafts report issued within 28 days of debrief meetings – 87% Final report issued within 7 days of management response – 100% % of High & Medium recommendations accepted – 100% % of High and Medium recommendations followed up – 100%</p> <p>No significant issues have been raised by Managers during 2014/15.</p> | | | | | | | | |
| Consortium | <p>The members of the Consortium met in October 2014. No major issues were identified although one member of the Consortium has queried the rates charged for a specific fraud review. The Head of Corporate Risk remains the contract lead for administering the contract.</p> <p>A training session was arranged for October 2014 which was held in Epsom with attendees from the other members of the Consortium, covering procurement, contracts and social value</p> | | | | | | | | |
| Audit Findings 2014/15 | <p>For 2014/15, the following reports were issued.</p> <table><tr><th>Assurance Levels</th><th>No. in 2014/15</th><th>No in 2013/14</th></tr><tr><td>Red</td><td>2</td><td>1</td></tr></table> | | | Assurance Levels | No. in 2014/15 | No in 2013/14 | Red | 2 | 1 |
| Assurance Levels | No. in 2014/15 | No in 2013/14 | | | | | | | |
| Red | 2 | 1 | | | | | | | |

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| | | | |
|---|--|------------|------------|
| | Amber/Red | 2 | 1 |
| | Amber/Green | 4 | 7 |
| | Green | 7 | 6 |
| | WIP | 1 | 1 |
| | Advisory | 2(draft) | 1 |
| | Follow up | 1 (draft) | 1 |
| | Sub Total | | |
| | Bus Grants & smaller bodies | Signed off | Signed off |
| | Total | 19 | 18 |
| | Overall the Head of Internal Audit has provided a satisfactory opinion. This is shown as Green for Governance, Green for Risk Management and Amber for Internal Control. | | |
| Follow up Recommendations | <p>The follow up review of previous recommendations has been issued as a draft but not yet agreed.</p> <p>A changing approach is being developed whereby Baker Tilly reviews the implementation of recommendations during the year and not at the end of the financial year. So any lack of progress can be promptly identified.</p> <p>There will also be training to the Leadership Team to ensure that managers are clear that they are responsible for implementing any agreed recommendations and where it is not possible implement a recommendation this should be clearly agreed when the draft report is finalised.</p> | | |
| Feedback from External audit | <p>In April 2015, the External Auditors (Grant Thornton) stated that :- They had completed a high level review of internal audit's overall arrangements, commenting that:-.</p> <p>"Our work has not identified any issues which we wish to bring to your attention. We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p> <p>Overall, we have concluded that the Internal Service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach."</p> | | |
| Role of the Audit, Crime & Disorder and Scrutiny Committee | <p>In meeting their requirements as an Audit Committee they:-</p> <ul style="list-style-type: none"> -receive regular monitoring reports and the Annual Audit Strategy -are independent to management -consider an annual report -review external audit report action plans -review the Annual Governance Statement - receive the outcome of specialist reviews | | |
| Additional Services | <p>Baker Tilly have provided assistance with a range of matters completing Specialist were brought into provide reviews on non-benefit fraud risk assessment and Post Implementation Review of CRM.</p> | | |

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|--|---|
| | They provided a seminar at Epsom for all members of the Consortium which covered procurement, contract management and social value. |
| Summary of Areas for Improvement in 2014/15 | <p>To ensure the service delivered meets the heightened challenges of the Council as a result of the changes to the management structure, governance arrangements and further budgetary savings.</p> <p>Continuing to improve the implementation and monitoring of recommendations, updating the functionality of the 4 Action Software and reporting to Board with improved linkage with the follow-up review.</p> |
| Overall Summary | Baker Tilly have provided an effective audit service for 2014/15 and completed most of the planned work in line with the agreed audit plan. |

Director of Finance & Resources

18th May 2015